

The North Carolina Recommended Changes to the 2000-01 State Budget

Prepared by
Office of State Budget and Management

Marvin K. Dorman, Jr.
State Budget Officer

Robert L. Powell
Deputy State Budget Officer

Additional information and further explanation of the The North Carolina Recommended Changes to the 2000-01 State Budget are available from the Office of State Budget and Management, 116 West Jones Street, 20320 Mail Service Center, Raleigh, North Carolina, 27699-0320, (919)733-7061. Contact one of the following staff members:

Susan S. Adams	Public Education Community Colleges Board of Governors of the University of North Carolina University of North Carolina Hospitals at Chapel Hill
Mike Kiltie	Economic Forecast Revenue Forecast Revenue and Tax Issues Economic Impact on Rules
Maurice King	Capital Improvements Special Appropriations
Tom Newsome	Management and Productivity Services
J.W. Reel	Departments of General Government Departments of Natural and Economic Resources Department of Transportation
Nina M. Yeager	Department of Health and Human Services Department of Correction Department of Crime Control and Public Safety Judicial Department Department of Justice Office of Juvenile Justice

Editorial assistance was provided by Jean Surlis, Publications Coordinator. Summary tables were prepared by Julie Mitchel, Budget Analyst. The OSBM secretarial staff, under the direction of Faye Mial, provided much assistance in preparing this document for publication.

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RECOMMENDED CHANGES TO THE 2000-01 STATE BUDGET

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2000-01 Recommended Changes

I. INTRODUCTION

This Summary of Recommended Appropriations contained herein provides Governor James B. Hunt Jr's proposed revisions to the previously adopted budget for the 2000-2001 fiscal year for the State of North Carolina. The proposed revisions to the general fund budget include expansion of \$729.7 million and is supported by general fund tax and nontax revenue growth coupled with redirected resources of \$334.9 million from within state government to supplement programs consistent with Governor Hunt's agenda. Also included in this documents are the Governor's recommendations for revisions to the Highway Fund and Highway Trust Fund appropriations for the 2000-01 fiscal year.

Contained in this Recommended Summary are proposals which continue the efforts of Governor Hunt and the General Assembly with respect to teacher pay; providing children with early childhood development and health care; economic development funding; support for the University and Community College systems in North Carolina; compensation for state employees; and funds for continued protection and nourishing of the environment. The Governor is proposing that these initiatives continue without interruption in spite of the impact of Hurricane Floyd and the Winter Snow Storm of 2000, and funding is recommended herein to support all costs required.

Highlighting this budget is \$281.0 million for the final increment required to fund the salary schedule and longevity to bring teacher's salaries to the national average. Also included in this number are funds to support the salary schedule for principals and assistant principals and to support the relative pay differential in each schedule. The Public School ABC bonus funds are recommended at \$135.0 million which is the estimate of cost to support the program for schools that meet or exceed 2000-01 performance goals adopted by the State Board of Education. Also within the education community, the Governor is recommending enrollment increases of \$21.1 million for the University System and \$22.5 million for the Community College System. Financial aid for needy students seeking higher education is included through recommendations of \$11.4 million for the University System and \$3.2 million for increased support for North Carolina children attending private colleges and universities within the State.

The final increment to bring Smart Start to 100% of required statewide support is recommended at \$67.0 million. While this recommendation is effective October 1, 2000, funds required to annualize Smart Start costs statewide will be included in the Governor's final budget for 2001-03. Funds are also recommended to support mental health programs (\$3.4 million); local juvenile justice grants and support (\$5.3 million); economic development (\$5.5 million); and environmental protection/water resources programs (\$14.3 million). The final major component of the Governor's Recommended Budget is an appropriation of \$149.1 million to support a 3% increase in state employee compensation to be utilized under the State Employee Comprehensive Pay Plan.

A full analysis of all revisions to the 2000-01 State Budget is included within this document.

2000-01 Recommended Changes

II. Economic Outlook For 2000-01

A. For The Nation

At a 4.9% gain, Fiscal Year 1999-00 is now expected to record the strongest rate of national economic growth in the past 20 years. The rate of unemployment in the U.S. has fallen to a recent low of 3.9%. In the view of the Federal Reserve, the current strength of the U.S. economy has greatly increased the likelihood of an acceleration in the rate of inflation. The Federal Reserve is now committed to downshifting the economy's growth to a more sustainable pace. Over the past year, the Federal Reserve increased the federal funds rate 5 times (each by 25 basis points) from its low of 4.75% to the current 6.00%. There is historical evidence, though, that the federal funds rate will need to rise to at least 6.50% before the economic brakes take hold. Currently, Standard & Poor's/DRI expects the Federal Reserve will increase the federal funds rate target by 25 basis points at each of its next two meetings, ending up at 6.50%. The Fed will then pause in deference to the upcoming Presidential elections, while evaluating the effect of the recent round of interest rate hikes. If the desired braking of the U.S. economy is not evident then, the Fed will likely push interest rates higher, probably in November or December 2000.

The current forecast assumes that the projected rise in interest rates will be sufficient to slow U.S. economic growth in the 2000-01, principally through weaker residential and nonresidential construction activity. Single-family housing starts are forecast to decline to 1.22 million, down from an estimated 1.33 million in the prior year. In addition to higher borrowing costs, an additional problem for nonresidential construction may be the availability of labor, especially with the anticipated boost in highway construction resulting from the Transportation Equity Act.

Consumer markets are expected to remain healthy in 2000-01, despite the jitters from Wall Street and higher gasoline prices. Consumer optimism will remain high as long as the unemployment rate remains at near 4.0%, as projected. Real consumer spending is forecast to grow by 4.1% in 2000-01, cooling from the prior year due to an expected slowdown in light-vehicle sales.

Despite the recent, expectedly transitory rise in fuel prices, worries about inflation continue to be confined to Federal Reserve Chairman Alan Greenspan. The Consumer Price Index is projected to rise by 2.7% in 1999-00, up from 1.7% last year largely due to higher gasoline prices. As transportation costs retreat, the CPI is forecast to increase by 2.2% in 2000-01.

Overall, Real Gross Domestic Product is forecast to increase by 3.9% in 2000-01, down from a 4.9% surge in 1999-00. However, this rate of growth compares very favorably with the 2.6% average rate of real GDP growth over the past 20 years.

2000-01 Recommended Changes
Economic Outlook for 2000-01 – Continued

B. For North Carolina

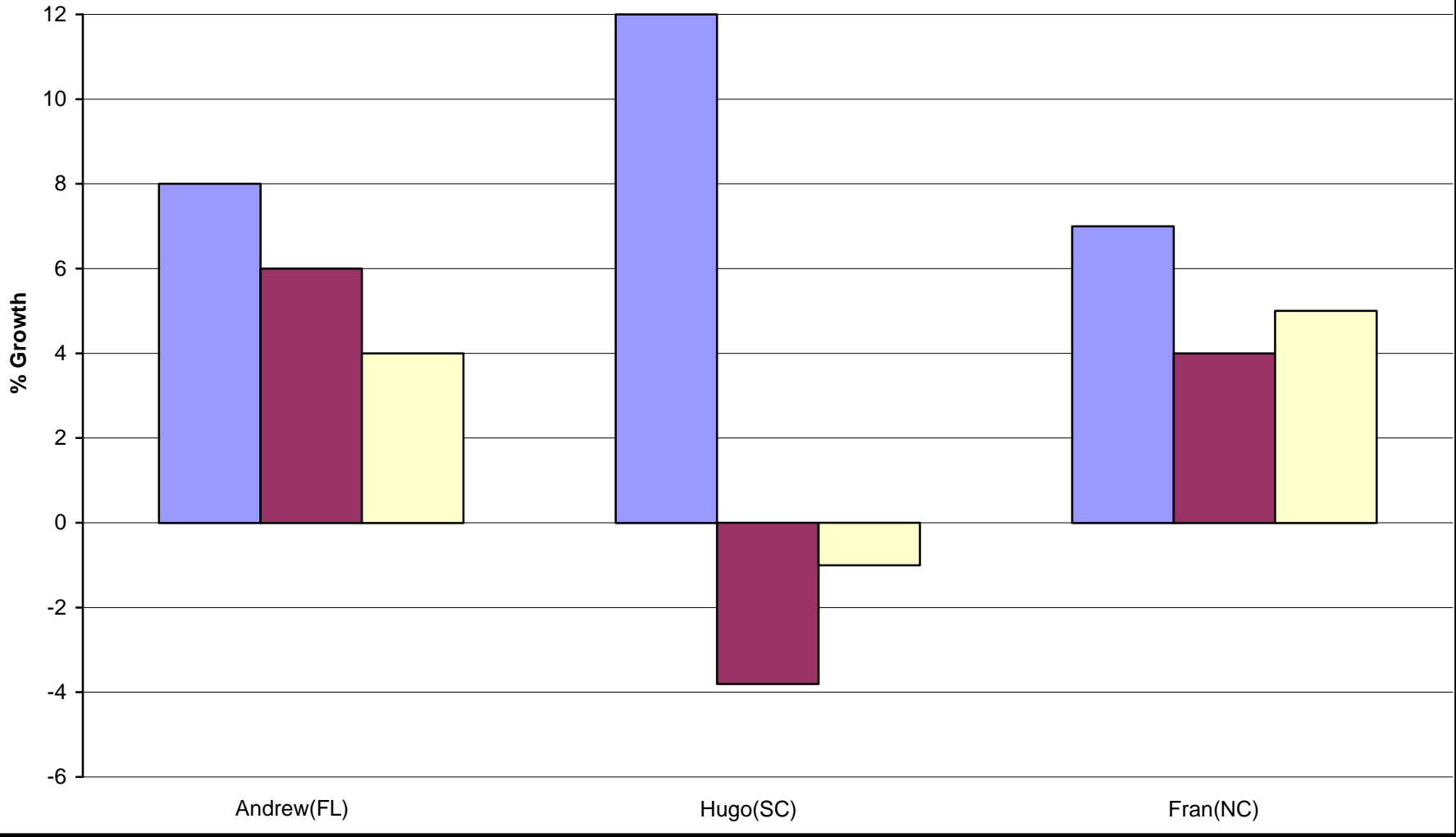
Since emerging from the 1990-1991 recession, North Carolina's employment growth has been well above the national average. Fiscal Year 2000-01 will follow suit, with nonfarm payroll employment expanding by another 2.2%. The continued erosion of manufacturing payrolls is a negative, but will be dominated by the strength in services and retail and wholesale trade, with more than 60,000 new jobs coming from these sectors combined.

On the downside, North Carolina's tight labor markets are becoming a growing problem, as firms are having more and more difficulty finding experienced, skilled labor. The situation is most severe in Piedmont North Carolina in which the state's high-technology firms are currently concentrated. While the unemployment rate is at 3.1% statewide, it is even lower (less than 2.5%) in the three major cities, which generate about two-thirds of the state's new jobs each year. The tightness of the labor market has probably drawn the most qualified workers into the ranks of the employed, leaving behind the less skilled. Therefore, not only are there fewer job-seekers, but the average skill level of the pool is likely trending lower as well. This shortage will contribute to the moderate slowdown in nonfarm employment growth to 2.2% in 2000-01.

Housing start activity in North Carolina will be affected by two opposing forces. Rising mortgage rates are expected to cool housing construction statewide in 2000-01. However, the recovery efforts in the eastern counties following Hurricane Floyd will stimulate construction of both single-family and multi-family housing units next year. As shown in the chart on page 4, a construction boom has followed each of the major hurricanes striking Southern states in the last decade.

Construction Employment Booms in the Year Following a Natural Disaster

State Rest of Region U.S.



2000-01 Recommended Changes
Economic Outlook For 2000-01 – Continued

Total personal income growth in North Carolina was harmed by Hurricane Floyd, with the losses concentrated in farm and rental income. Currently, personal income is estimated to grow by 5.2% in 1999-00, down at least a full percentage point due to Floyd. As the strong economic expansion continues in North Carolina, the economic stimulus from new home construction in the Floyd-affected counties is projected to rise the rate of state personal income growth to 6.5% in 2000-01.

Table 2
Economic Conditions
(Annual Rates of Change)

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>
	<u>Actual</u>	<u>Projected</u>	<u>Projected</u>
<u>National</u>			
Real Gross Domestic Product	4.1%	4.9%	3.9%
Real Personal Consumption	5.1	5.6	4.1
Industrial Production	3.2	4.7	2.7
Personal Income	6.0	6.0	6.2
Inflation (CPI)	1.7	2.7	2.2
Federal Funds Rate (%)	5.0	5.6	6.7
<u>North Carolina</u>			
Industrial Production	3.6%	4.2%	3.0%
Nonfarm Employment	3.0	2.5	2.2
Manufacturing Employment	-1.9	-1.8	-1.9
Unemployment Rate (%)	3.2	3.2	3.4
Total Personal Income	5.7	5.2	6.4
Housing Starts (000)	79.5	75.5	81.2

2000-01 Recommended Changes

III. General Fund

A. Revenue

Growth in the individual income tax is expected to be solid, although unspectacular in 2000-01. Strong labor market conditions along with acceleration in average wages will continue to propel state total withholding payments in 2000-01. Rising interest rates and the beginnings of the post-Floyd recovery of the state's farm sector will provide a boost to non-withholding tax receipts. Overall, growth in the individual income tax is currently forecast at 8.1% in 2000-01.

Corporate income tax payments in 1999-2000 were aided by a one-time \$69 million revenue windfall from the sale of RJ Reynolds' overseas tobacco operations. This prior year windfall, along with the final reduction in the state corporate income tax rate to 6.90% for tax year 2000, largely explains the projected decline in corporate income tax receipts in 2000-01. Fundamentally, corporate earnings remain healthy due to the continued strong expansion of the U.S. domestic economy as well as the recovery of many foreign markets. On a technical note, the net corporate income tax collections in Table 3. reflect a recommendation of eight additional interstate auditor positions (along with 3 support staff) which are projected to generate \$12.5 million in net collections in 2000-01.

Although disposable income growth in North Carolina remains above the U.S. average, the expected baseline rate of growth in state sales and use tax payments is to ease in 2000-01 for a variety of reasons. For one, retail sales in recent years were boosted by the large number of residential mortgage refinancing, which provided spendable cash in many instances. Higher fixed mortgage rates since 1999-2000 has slowed refinancing activity, and in turn, retail spending. Retail sales in recent years have also been aided by the sharp rise in the stock market – the so-called “Wealth Effect”. Recent jitters on Wall Street have weakened consumer confidence and will negatively affect consumer spending in 2000-01. Despite these negative factors, reported net sales and use tax collections are projected to grow by a respectable 6.6%.

Including nontax revenue (largely investment earnings, judicial fees, and Disproportionate Share Medicaid payments, total General Fund Revenue is projected to increase by 5.8%, or \$769.0 million, in 2000-01. The long-term revenue availability outlook is shown in the five year General Fund Forecast on page 77.

**2000-01 Recommended Changes
General Fund - Revenue - Continued**

Table 3

General Fund Revenue

	<u>1998-99 Actual</u>	<u>1999-00 Projected</u>	<u>2000-01 Projected</u>
Tax Revenue:			
Inheritance	\$ 169,935,220	\$ 169,000,000	\$ 152,700,000
Licenses	27,588,260	41,800,000	44,700,000
Cigarette	44,852,542	43,700,000	41,600,000
Soft Drink	12,349,253	1,300,000	0
Franchise(1)	409,558,340	305,300,000	421,200,000
Income Tax:			
Individual	\$ 6,606,500,278	\$ 7,052,900,000	\$ 7,627,000,000
Corporate(1)	<u>848,509,669</u>	<u>931,900,000</u>	<u>790,600,000</u>
Subtotal	\$ 7,455,009,947	\$ 7,984,800,000	\$ 8,417,600,000
Sales and Use			
Beverage	\$ 3,376,206,664	\$ 3,373,300,000	\$ 3,595,200,000
Gift	158,026,529	167,200,000	174,000,000
Freight Car Lines	19,334,909	24,900,000	28,300,000
Insurance	469,302	400,000	450,000
Piped Natural Gas	291,230,879	280,100,000	295,900,000
Miscellaneous	0	36,400,000	34,000,000
	702,059	600,000	650,000
Total Tax Revenue	\$ 11,965,263,904	\$ 12,428,800,000	\$ 13,206,300,000
Percentage Change	7.9%	3.9%	6.3%
Nontax Revenue:			
Investment Income	\$ 249,282,071	\$ 211,200,000	\$ 214,000,000
Judicial Fees	120,960,787	99,600,000	106,700,000
Disproportionate Share Receipts	85,000,000	105,000,000	105,000,000
Insurance Department	40,197,960	41,600,000	41,700,000
Miscellaneous	89,615,903	114,400,000	95,700,000
Total Nontax Revenue	\$ 585,056,721	\$ 571,800,000	\$ 563,100,000
Transfers:			
Highway Fund	\$ 13,400,000	\$ 13,600,000	\$ 13,800,000
Highway Trust Fund	170,000,000	170,000,000	170,000,000
Total General Fund Revenue	\$ 12,733,753,625	\$ 13,184,200,000	\$ 13,953,200,000
Percentage Change	8.8%	3.5%	5.8%

(1) A portion of the Corporate Franchise Tax was reported as Corporate Income Tax on a one-time basis in 1999-00.

B. Condition of the Fund

Table 4

**Condition of the General Fund
1999-2001**

	2000-01
	Recommended
Unreserved Credit Balance	\$ -
Reserved Credit Balance	
Budget Stabilization Reserve	36,554,738
Clean Water Management Trust Fund Reserve	1,054,152
Total Reserved Credit Balance	<u>37,608,890</u>
Revenue	
Tax Revenue	\$ 13,206,300,000
Nontax Revenue	458,100,000
Highway Fund Transfer	13,800,000
Highway Trust Fund Transfer	170,000,000
Disproportionate Share Receipts	105,000,000
Total Revenue	<u>13,953,200,000</u>
Total Availability	<u>13,990,808,890</u>
Appropriations	
Operating Budget	13,558,096,383
Adjustments to the Recommended Continuation Budget	(334,961,847)
Expansion Budget Recommended	729,761,294
Total Operating Budget Recommended	<u>13,952,895,830</u>
Capital Improvement - Direct Appropriation	-
Total Direct and Earmarked Appropriations	<u>13,952,895,830</u>
Ending Balance	<u>37,913,060</u>
Ending Reserved Balance	
Budget Stabilization Reserve	36,554,738
Clean Water Management Trust Fund	1,054,152
Repair and Renovations	-
Total Reserved Balance	<u>37,608,890</u>
Ending Unreserved Balance	<u>\$ 304,170</u>

Recommended Changes to the 2000-01 General Fund Budget

Departments	FY 2000-01 Certified Budget	Recommended Reductions	Authorized Transfers	Recommended Expansion	FY 2000-01 Recommended Budget
Education:					
Public Education *	\$ 5,277,518,248	\$ (50,516,648)	\$ -	\$ 416,088,578	\$ 5,643,090,178
Community Colleges *	591,015,693	(3,030,225)	-	22,526,642	610,512,110
University of North Carolina *	1,656,863,227	(11,614,696)	(500,000)	36,839,250	1,681,587,781
Total Education	7,525,397,168	(65,161,569)	(500,000)	475,454,470	7,935,190,069
Other Departments:					
Administration	60,089,326	(714,893)	-	-	59,374,433
Administrative Hearings	2,786,455	(45,780)	-	-	2,740,675
Agriculture and Consumer Svc.	54,146,601	-	-	1,200,000	55,346,601
Auditor	11,608,041	-	-	-	11,608,041
Board of Elections	3,199,660				3,199,660
Commerce	43,745,365	(517,329)	-	3,522,809	46,750,845
Commerce - State Aid	17,096,251	-	-	2,000,000	19,096,251
Commerce - ITS (1)	-	(9,000,000)	-	-	(9,000,000)
Correction	889,745,650	(13,654,377)	-	-	876,091,273
Crime Control and Public Safety	36,269,969	-	(338,000)	-	35,931,969
Cultural Resources	58,182,464	-	-	2,260,000	60,442,464
Cul. Res. - Roanoke Island Com.	1,826,157	-	-	-	1,826,157
Environment & Natural Res.	157,700,273	(2,531,337)	-	1,000,000	156,168,936
General Assembly	39,518,408	-	-	-	39,518,408
Governor's Office	5,282,172	-	-	-	5,282,172
Juvenile Justice	140,090,649	(561,000)	1,063,000	5,259,316	145,851,965
Insurance	21,599,037	-	-	-	21,599,037
Ins. - Direct Appropriation	4,500,000	-	-	-	4,500,000
Housing Finance Agency	5,300,000	-	-	-	5,300,000
DHHS:					
Administration and Support	89,806,803	-	-	-	89,806,803
Aging	29,792,117	-	-	-	29,792,117
Child Development	305,441,553	(49,000,000)	-	67,054,056	323,495,609
Early Intervention & Education	31,989,549				31,989,549
Public Health	131,979,059	(4,284,871)	-	850,000	128,544,188
Social Services	188,788,166	-	-	250,000	189,038,166
Medical Assistance	1,539,549,270	(114,535,129)	-		1,425,014,141
N.C. Health Choice	25,509,475	-	-	1,413,226	26,922,701

Recommended Changes to the 2000-01 General Fund Budget

Departments	FY 2000-01 Certified Budget	Recommended Reductions	Authorized Transfers	Recommended Expansion	FY 2000-01 Recommended Budget
Blind & Deaf / Hard of Hearing	17,455,155	-	-	-	17,455,155
Mental Health/DD/SAS	607,658,021	(571,526)	-	3,430,000	610,516,495
Facility Services	11,196,731	-	-	1,149,000	12,345,731
Vocational Rehabilitation	38,256,403	(956,328)	-	-	37,300,075
Total DHHS	3,017,422,302	(169,347,854)	-	74,146,282	2,922,220,730
Judicial	279,564,478	-	-	-	279,564,478
Judicial - Indigent Defense	64,193,626	-	-	-	64,193,626
Justice	72,975,950	-	(225,000)	-	72,750,950
Labor	16,369,251	(400,000)	-	-	15,969,251
Lt. Governor's Office	640,485	-	-	-	640,485
Revenue	75,755,633	(1,415,113)	-	804,308	75,144,828
Rules Review Commission	309,326	-	-	-	309,326
Secretary of State	6,455,933	-	-	-	6,455,933
State Budget and Management	4,247,782	-	-	-	4,247,782
Special Appropriations	3,080,000	-	-	-	3,080,000
State Controller	11,488,315	-	-	-	11,488,315
State Planning	2,147,099	-	-	-	2,147,099
State Treasurer	6,568,253	-	-	-	6,568,253
State Treasurer - Pensions	12,294,780	-	-	-	12,294,780
Transportation	15,434,165	-	-	-	15,434,165
Reserves:					
Contingency and Emergency	1,125,000	-	-	-	1,125,000
Compensation Increases	461,227,578	(11,000,000)	-	149,139,937	599,367,515
SPA Minimum Salary	100,000	-	-	-	100,000
Positions Vacated by Retirement	(12,709,493)	-	-	-	(12,709,493)
AOC Retirement Reduction	(900,000)	-	-	-	(900,000)
Debt Service	290,709,550	(45,612,595)	-	-	245,096,955
Debt Service - Federal	1,155,918	-	-	-	1,155,918
Salary Adjustment Fund	4,444,303	-	-	-	4,444,303
Welfare Reform	412,503	-	-	-	412,503
State Health Plan	147,000,000	-	-	-	147,000,000
Capital Improvement Projects	-	-	-	14,974,172	14,974,172
Disaster Relief Reserve	-	(15,000,000)	-	-	(15,000,000)
Consolidated Mail Services	(1,500,000)	-	-	-	(1,500,000)
Total General Fund Budget	\$ 13,558,096,383	\$ (334,961,847)	\$ -	\$ 729,761,294	\$ 13,952,895,830

(1) Nine million will be transferred from Budget Code 24660 to 14660 to offset this reduction.

**2000-01 Recommended Changes
General Fund – Continued**

C. Recommended Changes to the 2000-01 Budget

Public Education

Recommended Adjustments

2000-01

1. Average Annual Salary Adjustment

An adjustment is recommended to revise budgeted average annual salaries including principals and assistant principals using actual 1999-00 sixth pay period salaries as the base. This adjustment is made annually after reviewing budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than what is budgeted, and a reduction is made accordingly. This adjustment does not reduce any salary paid to certified personnel.

\$ (42,363,546)

2. Revise Average Daily Membership

Positions, textbooks, instructional equipment, and supplies allocated to the public schools are budgeted on the basis of average daily membership (ADM) of students in the classroom. Budgeted ADM was 1,268,870 for 1999-00 and 1,289,528 for 2000-01. The revised budgeted ADM for 2000-01 is 1,288,556, which is a 972 net decrease. Budgeted ADM for 2000-01 is based on the higher of 1999-00 actual ADM or 2000-01 projected ADM by local school system.

Receipts from the Highway Fund to be transferred to the Department of Public Instruction for the Driver Education program are adjusted by \$449,802 due to a projected increase of 1,468 ADM in the ninth grade.

Requirements
Receipts
Appropriation

\$ (6,437,558)
449,802
\$ (6,887,360)

**2000-01 Recommended Changes
General Fund - Public Education - Continued**

Recommended Adjustments - Continued

	2000-01
3. Employee Benefit Program – Public School Fund	
The following employee benefit programs were adjusted based on 1998-99 expenditure levels:	
Workman’s Compensation	
Short Term Disability	
Annual Leave	\$ (1,265,742)
 Total Recommended Adjustments for Public Education	
Requirements	\$ (50,066,846)
Receipts	449,802
Appropriation	\$ (50,516,648)

Recommended Changes to the 2000-01 Expansion

1. Increase Teacher Compensation

Consistent with The Excellent Schools Act, ratified by the 1997 Session of the General Assembly, 6.5% funding in the amount of \$224,031,710 is recommended for the fourth and final installment of the revised teacher salary schedule, continuing the effort to attract and retain highly qualified and experienced teachers. The fourth year of the revised teacher salary schedule increases the beginning teacher salary with a bachelor’s degree to \$25,000 and increases the differential between the bachelor’s degree and the master’s degree from the current 6.25% to 10%. Funds in the amount of \$8,474,153 are recommended for longevity pay related to the new salary schedule.

In addition, \$13,630,177 is recommended to change the teacher longevity rates to the same longevity rates as state employees. The current rates for teachers are: 1% at 10 years, 1.5% at 15 years, 2% at 20 years, and 4.5% at 25 years. The rates for state employees are: 1.5% at 10 years, 2.25% at 15 years, and 3.25% at 20 years. Teachers and state employees are currently at the same rate of 4.5% at 25 years.

**2000-01 Recommended Changes
General Fund – Public Education – Continued**

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

Increase Teacher Compensation - Continued

A reserve in the amount of \$9,500,000 is recommended for use in the salary schedule if the Department of Public Instruction finds that additional salary funds are needed to compensate teachers who will be receiving their master's degrees in 2000-01.

\$ 255,636,040

2. **School-Based Incentive Awards Under the ABCs Program**

The ABCs initiative directs that each year a school must assure that students receive a year's worth of education for a year of instruction. According to G.S. 115C-105.36, incentive awards will be given when a school either meets or exceeds the projected levels of improvement in student performance. In accordance with State Board of Education policy, incentive awards in schools that achieve higher than expected improvement may be up to \$1,500 for each teacher and certified personnel, and \$500 for each teacher assistant. Incentive awards in schools that meet the expected improvements may be up to \$750 for each teacher and certified personnel, and \$375 for each teacher assistant. Nonrecurring funds in the amount of \$135,000,000 are recommended for 2000-01 for awards earned in the 2000-01 school year and awarded in July of 2001. This amount is based on 65% of schools exceeding their goals and 20% meeting their goals.

The 1999 Session of the General Assembly directed the State Board of Education to establish a pilot program in up to five school systems to determine if revisions in the present ABC program are likely to result in more students demonstrating mastery of grade level subject matter and skills. In March 2000, the State Board of Education approved Bladen County, Craven County, Winston-Salem/Forsyth, Charlotte/Mecklenburg, and Elizabeth City/Pasquotank to participate in the pilot. Nonrecurring funds in the amount of \$4,600,000 are recommended to implement the program in 2000-01.

139,600,000 NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund – Public Education – Continued**

Recommended Changes to the 2000-01 Expansion – Continued

2000-01

3. Salary Increases – Other Public School Employees

Funds in the amount of \$27,932,244 are recommended to provide an average annual salary increase of 3% effective July 1, 2000, for all public school employees not paid from the teacher or principal salary schedule. This includes certified nonteaching positions in central office administration (superintendents and school administrators) and noncertified employees, such as finance officers, clerical workers, teacher assistants, school nurses, custodians, bus drivers, bus mechanics, and maintenance supervisors. Funds in the amount of \$20,852,538 are recommended for an average annual salary increase of 8.4% for principals and assistant principals, consistent with their salary schedule maintaining a 1% differential between the salary schedule for teachers with a master's degree.

\$ 48,784,782

Total Recommended Changes to the 2000-01 Expansion for Public Education

\$ 304,420,822
139,600,000 NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Community Colleges

Recommended Adjustments

2000-01

1. State Board Reserve

The State Board Reserve is limited by statute to funding feasibility studies, pilot projects, start-up of new programs, and innovative ideas. The State Board Reserve has a certified budget of \$1,150,000. In the 1999-00 fiscal year over \$106,000 was redirected to the Hurricane Floyd relief effort. The State Board Reserve is recommended for a one-time reduction of \$100,000.

\$ (100,000) NR

2. New and Expanding Industry Training

The New and Expanding Industry Training (NEIT) Program provides customized training assistance in support of new, full-time production positions created in the State of North Carolina. The 1999-00 budget for NEIT is \$6,028,541 plus carry-forward funds of \$3,583,372.

In addition to the operating budget for NEIT, funds were appropriated (\$4,000,000 in 1999-00 and \$5,500,000 in 2000-01) for NEIT in Session Law 1999-321 (House Bill 275). House Bill 275 created the Employment Security Commission Training and Employment Account to provide worker training through improved continuing education, acquisition of modern training equipment, operation of specialized training centers, enhancement of small business center training, incumbent worker training, programs funded by the Worker Training Trust Fund, and other programs of the Community College System.

Due to the additional availability with House Bill 275 one-time funds, a nonrecurring reduction is recommended in the New and Expanding Industry Training program.

(500,000) NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund – Community Colleges – Continued**

Recommended Adjustments - Continued

2000-01

3. Educational Equipment

A nonrecurring reduction is recommended in the educational equipment budget. The 1999-00 budget for educational equipment is \$16,299,507, while the 2000-01 budget is \$17,319,732.

In addition to the operating budget for educational equipment, funds were appropriated to a non-reverting reserve (\$10,000,000 in 1999-00 and \$38,000,000 in 2000-01) for equipment, technology, and an MIS reserve in Session Law 1999-321 (House Bill 275). House Bill 275 created the Employment Security Commission Training and Employment Account to provide worker training through improved continuing education, acquisition of modern training equipment, operation of specialized training centers, enhancement of small business center training, incumbent worker training, programs funded by the Worker Training Trust Fund, and other programs of the Community College System.

\$ (2,020,225) NR

4. Scholarship Reserve Fund Balance

An interest only scholarship reserve was generating insufficient resources for financial aid and was eliminated in the 1999-00 fiscal year. The 1999 legislative session replaced the interest only scholarship reserve with a non-reverting \$5 million annual appropriation to provide need-based financial aid. It is recommended that the fund balance remaining in the interest only scholarship reserve be eliminated.

(410,000) NR

Total Recommended Adjustments for Community Colleges

Requirements

\$ (3,030,225)

Receipts

-

Appropriation

\$ (3,030,225) NR

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – Community Colleges - Continued**

Recommended Changes to the 2000-01 Expansion

2000-01

1. Enrollment Changes

The 2000-01 enrollment projection from the State Board of Community Colleges indicates a 7,240 FTE increase in full time equivalent (FTE) students above the 1999-00 budgeted enrollment of 144,283 FTE. The revised 2000-01 budgeted enrollment will be 151,523 FTE, a 5% increase over 1999-00. Curriculum enrollment is projected to increase by 5,702 FTE or 5.1%; Continuing Education enrollment is projected to increase by 912 FTE or 5.1%; and Basic Skills enrollment is projected to increase by 626 FTE or 4.3%.

The 1998 Session of the General Assembly changed the formula for calculating enrollment in the community colleges effective in 2000-01. In 1999-00 enrollment was calculated using the 2/3 rule. The new formula for calculating enrollment uses the greater of (1) the average of the actual enrollment of the prior three fiscal years or (2) the actual enrollment of the prior fiscal year to determine the budgeted enrollment for the subsequent fiscal year.

The combination of Hurricane Floyd in September 1999 and the new enrollment formula, which uses prior year FTE as a basis for budgeted enrollment, impacted the enrollment budget for the 2000-01 fiscal year. Twenty community colleges in Eastern North Carolina experienced a decline in enrollment after Hurricane Floyd. Losses of 462 Curriculum FTE, 96 Occupational Extension FTE, and 104 Basic Skills FTE totaling \$2,045,732 were sustained by colleges in the Hurricane Floyd disaster area. It is recommended that these twenty community colleges be held harmless to the 1999-00 budgeted enrollment for the 2000-01 fiscal year.

The recommended funds include \$20.4 million for enrollment growth and \$2.1 million for the hold harmless recommendation.

Requirements	\$ 27,487,208
Receipts	<u>4,960,566</u>
Appropriation	\$ 22,526,642

2000-01 Recommended Changes
General Fund – Community Colleges - Continued

Recommended Changes to the 2000-01 Expansion - Continued

	<u>2000-01</u>
2. Salary Increase	
Funding for an average 3% salary increase effective July 1, 2000, is recommended for all community college personnel supported from state funds.	\$ 17,279,112
 Total Recommended Changes to the 2000-01 Expansion for Community Colleges	
Requirements	\$ 44,766,320
Receipts	<u>4,960,566</u>
Appropriation	\$ 39,805,754

**2000-01 Recommended Changes
General Fund - Continued**

University of North Carolina

Recommended Adjustments

2000-01

1. Current Operations Efficiencies

In an effort to facilitate efficiencies at the constituent institutions of the University of North Carolina, a reduction in the operating budgets for fiscal year 2000-01 is recommended. The 1990 session of the General Assembly established Special Responsibility Constituent Institutions (SRCI's) and granted budget flexibility to constituent institutions with this status. Therefore, SRCI's have the authority to make the necessary budgetary adjustments to accommodate the reduction required by each campus. A 0.5% reduction is recommended for all 16 campuses and UNC General Administration except UNC-AHEC, which is recommended for a 0.25% reduction. This recommended reduction does not include UNC-GA Related Education, the North Carolina School of Science and Mathematics or UNC Hospitals.

\$ (7,712,759)

2. Reserves for Operating New Facilities

As a result of adjustments to schedules in constructing or renovating seven facilities at five of the constituent institutions throughout the University system and one facility at UNC General Administration, funds which had been appropriated for facilities operations in 2000-01 are recommended to be changed. The affected buildings and corresponding adjustments include:

Labor Force Development Center - WCU	\$(159,178)		
Anderson HS Center Renovation - WSSU	(69,448)		
NC Center for School Leadership - UNC-GA	(473,190)		
Beard Hall Addition - UNC-CH HA	(354,502)		
Carolina Living/Learning Center - UNC-CH HA	(30,965)		
Education Building -NCCU	10,646		
4-H Environmental Education Center - NCSU	6,486	17,132	
General Classroom Building - UNC-W	(140,039)	(1,227,322)	NR

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – UNC - Continued**

Recommended Adjustments - Continued

	2000-01
3. UNC Hospitals Inflationary Increase	
It is recommended that funds be reduced for the UNC Hospitals inflationary increase for 2000-01.	\$ (2,691,748)
Total Recommended Adjustments for the University of North Carolina	
Requirements	\$ (11,614,697)
Receipts	-
Appropriation	\$ (10,387,375)
	\$ (1,227,322) NR

Recommended Changes to the 2000-01 Expansion

1. Schedule of Priorities - Current Operations

General Statute 116-11(9) requires the Board of Governors (BOG) of the University of North Carolina to “develop, prepare, and present to the Governor, Advisory Budget Commission, and the General Assembly a single, unified recommended budget for all of public senior education.” Funds requested for expansion, new programs and activities, increases in enrollment, remedying deficiencies, etc. are to be itemized in priority order and any funds appropriated for the priority schedule are to be in a lump sum.

In response to the Board of Governors’ 2000-01 “Schedule of Priorities,” the following items are recommended:

Line 1a - Regular Term Enrollment Changes

In response to the Board of Governors’ 1999-01 “Schedule of Priorities,” the General Assembly did not appropriate funds for enrollment growth (Line 1a) in the second year of the biennium. Regular term enrollment projections by the UNC Board of Governors indicate that full time equivalent (FTE) students will increase by 2,460 FTE or 1.8% from 135,499 in 1999-00 to 137,959 in 2000-01. The recommended increase is to support this enrollment growth.

Requirements	\$ 29,605,693
Receipts	8,523,900
Appropriation	\$ 21,081,793
Number of Positions	201

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund – UNC - Continued**

Recommended Changes to the 2000-01 Expansion – Continued

2000-01

Schedule of Priorities - Current Operations - Continued

Line 1e - Need-Based Financial Aid

One of the goals of The University of North Carolina is to increase the college-going rate of North Carolina residents. Part of the strategy to meet this goal is to provide additional need-based financial aid. It is recommended that these funds be used for need-based financial aid using the UNC BOG's established criteria for needy students who are residents of North Carolina. This need-based grant formula consists of the cost of education (tuition plus required fees plus standard living allowance) less contribution from income (based on family income, dependents and employment), student self-help, Pell grant and estimated tax credits.

\$ 11,400,000

Line 4d - Model Teacher Consortium

The Model Teacher Consortium serves persons interested in becoming certified teachers, upgrading or refining skills, or expanding areas of certification for employment in public schools. Participants include: Bertie, Gates, Granville, Halifax, Hertford, Northampton, Vance, Warren, Roanoke Rapids, and Weldon school administrative units, with the collaboration of East Carolina University, Elizabeth City State University, Barton College, North Carolina Wesleyan College, Halifax Community College, and Vance-Granville Community College. The 2000-01 general fund operating budget for the Model Teacher Consortium is \$828,951. These funds will be used to expand the program.

1,000,000

2. Aid to Students Attending North Carolina Private Colleges and Universities

"Aid to Students Attending Private Colleges" is composed of two programs: the Legislative Tuition Grant (LTG) and the State Contractual Scholarship Fund (SCSF). The LTG provides a payment to private institutions for each North Carolina resident student, which is credited directly to the student's account. The SCSF provides funds to each private institution based on the number of full time North Carolina undergraduate resident students. The SCSF funds are used for scholarship for needy North Carolina students attending private colleges. It is recommended that the LTG and the SCSF be increased by \$50 per year to \$1,800 and \$1,100 respectively.

3,257,457

**2000-01 Recommended Changes
General Fund – UNC - Continued**

Recommended Changes to the 2000-01 Expansion – Continued

	<u>2000-01</u>
3. Chinqua-Penn Plantation	
It is recommended that funds be provided to the Board of Governors for use by North Carolina State University for the operation of the Chinqua-Penn Plantation.	\$ 100,000
4. Transfer of Center for Prevention of School Violence from North Carolina State University to the Office of Juvenile Justice (OJJ)	
It is recommended that the Center for Prevention of School Violence, currently located at North Carolina State University, be transferred to the Office of Juvenile Justice. The Center is the primary point of contact for information, programs, and research about the prevention of school violence. The Center is involved in the establishment and support of School Resource Officers, Students Against Violence Everywhere (SAVE) chapters, and conflict management and peer mediation programs.	(500,000)
Number of Positions	(7.0)
5. Salary Increase	
Funding for an average 3% salary increase is recommended for all University personnel effective July 1, 2000.	45,115,028
Total Recommended Changes to the 2000-01 Expansion for the University of North Carolina	
Requirements	\$ 89,978,178
Receipts	<u>8,523,900</u>
Appropriation	\$ 81,454,278
Number of Positions	194

**2000-01 Recommended Changes
General Fund - Continued**

Department of Administration

Recommended Adjustments

2000-01

1. Low-Level Radioactive Waste Management Authority	
In accordance with Senate Bill 247, North Carolina withdrew from membership in the Southeast Interstate Low-Level Radioactive Waste Management Compact. The Authority is to close and restore the proposed Wake County low-level radioactive waste site, and finalize all other responsibilities and business of the Authority on or before June 30, 2000. It is therefore recommended that the General Fund appropriation for the operating expenses of the Authority be eliminated.	
Requirements	\$ (893,072)
Receipts	<u>(400,025)</u>
Appropriation	\$ (493,047)
Number of Positions	(8.0)
2. Reduce Operating Funds	
It is recommended that funds for building repairs in the Facilities Management Division be reduced.	(221,846)
Total Recommended Adjustments for Department of Administration	
Requirements	\$ (1,114,918)
Receipts	<u>(400,025)</u>
Appropriation	\$ (714,893)
Number of Positions	(8.0)

Office of Administrative Hearings

Recommended Adjustments

1. Reduce Reserve Account - Correction of Continuation Budget Error	
Non-recurring appropriations were inadvertently left in the 2000-01 fiscal year. This reduction corrects for that oversight.	\$ (45,780)
Total Recommended Changes to the 2000-01 Expansion for the Office of Administrative Hearings	\$ (45,780)
Number of Positions	0.0

**2000-01 Recommended Changes
General Fund - Continued**

Department of Cultural Resources

Recommended Changes to the 2000-01 Expansion

		<u>2000-01</u>
1. Arts Council - Operating Support		
A substantial portion of the Arts Council's formula-based federal grant must be used to cover operating costs. It is recommended that funds be provided to cover the operating costs currently paid from the federal grant, to allow all available federal funds to be used for grants to non-profit organizations and for special one-time programs and projects.		\$ 260,000
2. Arts Council – Grant Programs		
Funding is recommended to provide an increase in grants awarded to local arts programs and organizations.		
Grassroots Arts Program	\$800,000	
Primary Arts Organization	\$600,000	
Rural Arts Programs	\$400,000	
Cultural Tourism	\$200,000	2,000,000 NR
Total Recommended Changes to the 2000-01 Expansion for Department of Cultural Resources		
Requirements		\$ 2,260,000
Receipts		-
Appropriation		\$ 260,000
		2,000,000 NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Department of Labor

Recommended Adjustments

	2000-01
1. Indirect Cost Receipts	
This recommendation will reduce the department's general fund appropriation by budgeting indirect cost receipts.	
Requirements	\$ -
Receipts	300,000
Appropriation	\$ (300,000)
 2. Ergonomics Center	
The state has funded the Ergonomics Center since 1994-95 with a \$750,000 general fund appropriation to establish the Center. Since then, the appropriation has been reduced to a \$500,000 recurring appropriation for operating expenses. The Department of Labor reduced the Ergonomics Center's allocation by \$100,000 this year to make reversions for Hurricane Floyd.	
This recommendation proposes to (1) follow the department's 1999-00 reduction by reducing the Center's 2000-01 appropriation by an equal amount and (2) continue reductions by an additional \$100,000 each year after that until the Center is entirely self-supporting. Recommended appropriation to the Ergonomics Center:	
2000-01 \$400,000	
2000-02 \$300,000	
2000-03 \$200,000	
2000-04 \$100,000	
2000-05 \$ -	(100,000)
 Total Recommended Adjustments for Department of Labor	
Requirements	\$ (100,000)
Receipts	300,000
Appropriation	\$ (400,000)

**2001-01 Recommended Changes
General Fund – Continued**

Department of Revenue

Recommended Adjustments

	<u>2000-01</u>	
1. Federal Retirees – Refund		
Legislation in 1996 (House Bill 30) provided an appropriation of \$25 million to the Department of Revenue to make refunds to certain taxpayers whose federal pensions were determined not to be taxable. The balance of these as of March 31, 2000, was \$287,985. The department does not anticipate future refunds to exceed \$37,985. These funds are in budget code 24701.	\$ (250,000)	NR
2. State/Federal Retirees – Cost of Administration		
As the department continues to incur costs in assisting with the refunds to state and federal retirees as a result of the Bailey/Emory/Patton Lawsuit, reimbursements for these costs are requested from Womble, Carlyle, Sandridge and Rice, Attorneys at Law. The reimbursement anticipated for the 1999-00 fiscal year is \$100,000.	(100,000)	NR
3. Transportation – Ground - In-State		
Reductions can be made in the travel budget for the Field Operations Division.	(150,000)	
4. Computer/Data Processing Services		
The department anticipates a rate reduction in transactions processing by ITS (Information Technology Services) for fiscal year 2000-01. Provided this reduction in rates does occur and utilization remains flat, savings are estimated to be \$200,000.	(200,000)	
5. Abolish Positions in Various Centers		
The department proposes to abolish 11 positions in various divisions.	(715,113)	
Number of Positions	(11.00)	
 Total Recommended Adjustments for the Department of Revenue	 \$ (1,415,113)	
Number of Positions	(350,000)	NR
	(11.0)	

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – Revenue - Continued**

Recommended Changes to the 2000-01 Expansion

	<u>2000-01</u>
1. Additional Interstate Audit Personnel	
Each Interstate Auditor position is projected to generate in excess of \$1.5 million dollars in the first year of employment. Funding is recommended to add eight Interstate Auditor positions and three support positions.	\$751,208
Number of Positions	53,100 NR 11.0
 Total Recommended Changes to the 2000-01 Expansion for Department of Revenue	 \$751,208
Number of Positions	\$53,100 NR 11.0

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Department of Health and Human Services

Recommended Adjustments

	<u>2000-01</u>
1. Development Evaluation Centers Budget	
The department's efforts to increase receipts from federal funding sources have generated additional Medicaid receipts for services delivered by the Developmental Evaluation Centers. It is recommended that these receipts be budgeted to support services and reduce appropriations.	
Requirements	\$ -
Receipts	<u>1,000,000</u>
Appropriations	\$ (1,000,000)
2. Medical Examiner's Fees	
Effective January 1, 1999, autopsy fees in the Medical Examiner's Office were increased from \$400 to \$600. It is recommended that increased receipts from the fees be budgeted to support the Medical Examiner's Office and appropriations be reduced accordingly.	
Requirements	\$ -
Receipts	<u>100,000</u>
Appropriations	\$ (100,000)
3. Public Health Laboratory Medicaid Receipts	
Efforts to increase federal support for the Public Health Laboratory are expected to generate additional Medicaid receipts. It is recommended that these receipts be budgeted to support functions in the Laboratory and offset appropriations.	
Requirements	\$ -
Receipts	<u>220,000</u>
Appropriations	\$ (220,000)

2000-01 Recommended Changes

General Fund – Department of Health and Human Services - Continued

Recommended Adjustments – Continued

	<u>2000-01</u>
4. AIDS Drugs	
It is recommended that the AIDS Drugs budget be adjusted to reflect an anticipated increase in funding from the Federal Ryan White Grant and drug rebates from pharmaceutical companies.	
Requirements	\$ -
Receipts	<u>2,000,000</u>
Appropriations	\$ (2,000,000)
5. Forensic Test for Alcohol Program	
Prior to 1999-00, G.S. 20-16.5(j) required that 50% of the fee collected to restore a revoked driver license be deposited into a Non-Tax Revenue Code to fund a statewide Forensic Test for Alcohol Program. These funds accumulated in the account and established a baseline against which the Forensic Test for Alcohol Program was supported by appropriations. Section 11.62(a) of Chapter 168 redirected deposit of these funds directly into the Department of Health and Human Resources. It is recommended that these fees be budgeted to support functions in the Forensic Test for Alcohol Program and appropriations be reduced accordingly. As a result of this action, fourteen (14) positions will be changed to receipt supported from appropriation.	
Requirements	\$ -
Receipts	<u>964,871</u>
Appropriations	\$ (964,871)
6. Operating Reserve for the Goldsboro TBI Unit	
In anticipation of the scheduled January 1, 2001, opening of a Traumatic Brain Injury Unit in Goldsboro, the General Assembly appropriated funds to support operations. Capital funds to renovate the building were redirected after Hurricane Floyd to assist recovery in Eastern North Carolina delaying this effort.	(956,328)
Number of Positions	(48.0)
7. Neurobehavioral Treatment Unit – Black Mountain Center	
The Governor redirected renovation and first year operating funds appropriated for the Neurobehavioral Treatment Unit to services to support victims of Hurricane Floyd. In the absence of available renovation funds, it is recommended that the remaining operating funds be eliminated from the budget.	(571,526) (51.0)

2000-01 Recommended Changes

General Fund – Department of Health and Human Services - Continued

Recommended Adjustments - Continued

	<u>2000-01</u>	
8. Smart Start		
A one-time reduction to the Smart Start program is recommended. Spending in the Smart Start has been slower than originally projected due to: (1) the complex process of building human service delivery infrastructure in less developed counties, (2) the impact of Hurricane Floyd on Partnerships in Eastern North Carolina and (3) the length of the 1998 short session of the legislature. Based on an analysis of current Smart Start spending patterns the Governor recommends a one-time reduction of \$49,000,000.	\$ (49,000,000)	NR
9. Medicaid Program		
The 1999-01 budget was originally prepared in January 1999. A reduction to the Medicaid program is recommended based on a revised forecast that considers more current expenditure and utilization information.		
Requirements	\$(118,740,319)	
Receipts	<u>(86,351,688)</u>	
Appropriation	\$ (32,388,631)	
10. Additional Medicaid Drug Rebate Receipts		
Due to increased spending in prescribed drugs in the Medicaid program additional drug rebate receipts have become available which offsets the need for state appropriations.		
Requirements	\$ -	
Receipts	<u>12,146,498</u>	
Appropriation	\$ (12,146,498)	

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Health and Human Services - Continued**

Recommended Adjustments - Continued

	<u>2000-01</u>	
11. Transfer Medicaid Reserve Funds		
<p>G.S. 143-23.2 limits the use of the Division of Medical Assistance Reserve to support the Medicaid program. Currently, \$29 million in recurring revenues are transferred from this reserve to support the Medicaid program. It is recommended that an additional \$70 million in one-time revenues be used to support the Medicaid program. The remaining funds in this reserve are needed to support future cost settlements with the United States Health Care Financing Administration.</p>		
Requirements	\$ -	
Receipts	<u>70,000,000</u>	
Appropriation	\$ (70,000,000)	NR
Total Recommended Adjustments for Department of Health and Human Services		
Requirements	\$(169,268,173)	
Receipts	<u>79,681</u>	
Appropriation	\$(169,347,854)	
Number of Positions	(99.0)	

Recommended Changes to the 2000-01 Expansion

1. Smart Start	
<p>It is recommended that the Smart Start program be fully funded in 2001. To this end, \$64,388,955 is recommended with an effective date of October 1, 2000. It is also recommended that \$50,750 be provided to support program evaluation costs; \$500,000 in non-recurring funds be provided to support county collaboration efforts; \$750,000 in nonrecurring funds be provided to support the triennial assessment of children's needs and resources as required by G.S. 143B-168.3; and \$964,351 be provided for the North Carolina Partnership for Children to support the cost of personnel, rent, utilities and related administrative costs that have not kept pace with program expansion needs.</p>	
	\$ 66,654,056

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Health and Human Services - Continued**

Recommended Changes to the 2000-01 Expansion

	<u>2000-01</u>
2. T.E.A.C.H. Program	
Additional funding is recommended for the T.E.A.C.H. program to support increased cost for tuition, increased number of enrollees, and an increase in the number of participants enrolled in the Associate Degree scholarship program. The Teacher Education and Compensation Helps (T.E.A.C.H.) Early Childhood Project provides a variety of educational scholarship opportunities for people working in regulated child care centers and homes.	\$ 400,000
3. Health Choice Expansion	
It is recommended that eligibility for NC Health Choice be expanded from 200% of the federal poverty level (FPL) to 300%. This will provide coverage to an additional 65,690 children. Expansion costs will be partially offset by monthly premiums paid by parents. For families between 200-249% of the FPL, the monthly premium per child will be \$25 with no limit on the number of children per family. For families between 250-299% of the FPL, the monthly premium per child will be \$35 with no limit on the number of children per family. Four positions including a support staff assistant, two computer systems' professionals and a financial operation's professional are recommended. This expansion is effective October 1, 2000.	
Requirements	\$ 5,355,153
Receipts	<u>3,941,928</u>
Appropriation	\$ 1,413,225
Number of Positions	4.0
4. Healthy Start Foundation	
Funding is recommended to continue the public information and education activities of North Carolina's nationally recognized First Step Campaign. It will also enable the Healthy Start Foundation to provide mini-grants to local communities to fund activities and services designed to reduce infant mortality and low birth weight, which is the leading cause of infant mortality.	650,000 NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Health and Human Services - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

		<u>2000-01</u>
5.	<p>State Games Funding is recommended to continue the support for the State Games of North Carolina to promote health and fitness through athletic activities for all North Carolinians.</p>	\$ 200,000 NR
6.	<p>Atypical Antipsychotics The newer class of atypical antipsychotics (chlozaphine, risperdone, quietiapine, and olanaphine) offers greater efficacy, but is far more costly than traditional medications. To continue to meet the demand for these medications, the Governor recommends additional funds for the State's psychiatric hospitals and mental retardation centers.</p>	1,500,000
7.	<p>School Based Mental Health and Substance Abuse Services The Governor proposes a multi-agency collaboration to improve child mental health and substance abuse services in North Carolina's public school system. The Divisions of Mental Health, Developmental Disabilities and Substance Abuse Services and Public Health will partner with the Department of Public Instruction to establish 24 demonstration centers in at-risk schools. Center staff, including a special education teacher, nurse, mental health professional and substance abuse counselor, will provide direct and referral services to maintain or enhance students' well being and opportunities for academic success. Planning funds are also requested for 24 additional centers. Total program cost is \$5,870,000, which includes block grant support and an anticipated award from the Governor's Crime Commission.</p>	930,000
8.	<p>Child Mental Health Services The state's thirty-nine Area Mental Health Programs provide mental health services to our children, including those in foster care children. To better serve these children, the Governor recommends funds be appropriated to the Area Mental Health Programs to increase the availability of child mental health services.</p>	1,000,000

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Health and Human Services - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

<p>9. Statewide Poison Control Center It is recommended that funding be provided to support the North Carolina's Statewide Poison Control Center. The Department of Health and Human Services designated a Statewide poison control center in 1988, in response to G.S. 143-509(3), to serve as a resource to both the medical community and to private citizens. Approximately 28% of the calls received by the Statewide poison control center come from the service area of the Carolinas Poison Center. The remainder is received from other areas of the state. The Statewide Poison Control Center received 89,547 calls in 1999. This represents an 8.1% increase over 1998.</p>	<p>\$ 1,000,000</p>
<p>10. Adult Care Home Inspectors It is recommended that new inspectors be added to implement the requirements established in Senate Bill 10 ratified in the long session of the General Assembly. These funds support newly established requirements for special care units, time-limited provisional licenses, complaint investigations, medication administration and compliance history reviews which cannot be handled within current resources. These funds are to be used as match to draw down federal funds. The Governor recommends that this item be implemented effective January 1, 2001. Number of Positions</p>	<p>149,000 6.0</p>
<p>11. Child Advocacy Institute Children's Services Report It is recommended that \$250,000 in non-recurring funds be provided to support children's reporting efforts developed by the North Carolina Child Advocacy Institute.</p>	<p>250,000</p>
<p>Total Recommended Changes to the 2000-01 Expansion for Department of Health and Human Services</p>	
Requirements	\$ 78,088,209
Receipts	<u>3,941,928</u>
Appropriation	\$ 74,146,281
Number of Positions	10.0

**2000-01 Recommended Changes
General Fund - Continued**

Department of Correction

Recommended Adjustments

2000-01

1. Increase Receipts from Correction Enterprises

It is recommended that a total of \$3,250,000 (\$2,750,000 in nonrecurring and \$500,000 in recurring funds) be reduced from the balance of the Prison Enterprise Fund for the purpose of creating additional availability for state fiscal year 2000-01.

North Carolina Correction Enterprises (NCCE) is self supporting from the sale of products and services produced by inmates and sold to various state and local agencies at a competitive market price. All profits are used by the Department of Correction for capital improvement, salaries of enterprise employees, purchase of equipment, and/or other uses as determined by the Secretary of Correction.

Requirements	\$	-	
Recurring Receipts		500,000	
Nonrecurring Receipts	\$	<u>2,750,000</u>	NR
Recurring Appropriation	\$	500,000	
Nonrecurring Appropriation	\$	2,750,000	NR

2. Reduction of Automobile Replacement Budget

To create one-time availability, it is recommended the Department of Correction (DOC) delay the replacement schedule for department-owned cars and increase the mileage on DOC vehicles. This initiative is aided by the DOC vehicles taken from prison facilities recently closed.

(1,000,000) NR

3. Fund Enterprise Accounting Positions from Enterprise Fund

It is recommended that nine accounting positions dedicated to the Enterprise Fund be supported by receipts from that Fund, thus replacing state appropriation.

Requirements	\$	-	
Receipts		<u>344,200</u>	
Appropriation	\$	(344,200)	

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund – Department of Correction – Continued**

Recommended Adjustments - Continued

2000-01

4. **Reduce Data Processing Equipment by 10%**

A one-time reduction of ten percent in data processing equipment budgeted in the Department of Correction is recommended to create needed availability. This savings initiative is aided by reductions in the estimated cost of this type of equipment.

\$ (225,862) NR

5. **IMPACT Aftercare Program – Elimination of Contracts Between the Department of Correction (DOC) and Treatment Alternatives to Street Crimes (TASC)**

The Intensive Motivational Program of Alternative Correctional Treatment (IMPACT) or boot camp is a condition of special probation (split sentence) in which the offender must serve an active sentence of 90 to 120 days, and then remain on supervised probation. The General Assembly appropriated funding for IMPACT Aftercare, a pilot, post-boot camp probation program, which includes intensive supervision probation and care management through the TASC program in the Department of Health and Human Services. The program is available to 180 IMPACT graduates per year in six counties: Buncombe, Forsyth, Mecklenburg, New Hanover, and Edgecombe/Nash.

DOC analysis of the success rate statistics on this program do not support the concept on which the program is based. TASC is an intervention program for certain drug dependent criminal offenders and those participating in the IMPACT program do not have drug and alcohol problems as their primary treatment need. Reduction of the funds budgeted for these contracts is recommended accordingly.

(440,000)

NR-Nonrecurring

2000-01 Recommended Changes
General Fund – Department of Correction – Continued

Recommended Adjustments – Continued

2000-01

6. Increase Receipts from Welfare Fund for One-Time Transfer of Cash

The Inmate Welfare Fund accounts for canteen profits and telephone contract profits in the prison system. The Fund pays for vocational teachers in the prison units and for supplies. This savings initiative is aided by the completion of new prison construction and its decreased demand on this Fund for equipment associated with inmate activities. Teaching positions and related supplies are not impacted by this reduction.

Requirements	\$	-	
Receipts		<u>2,250,000</u>	
Appropriation		\$ (2,250,000)	NR

7. Increase Receipts from Work Release by Increasing Per Diem from \$14 to \$15 per day

Inmates on work release are required by General Statute to pay per diem to the state. The current rate for per diem is \$14 per day; an increase to \$15 per day is recommended. There are 1,326 inmates currently on work release.

Requirements	\$	-	
Receipts		<u>325,000</u>	
Appropriation		\$ (325,000)	

8. Increase Receipts from Work Release by Increasing Transportation Fee from \$1.50 to \$2.00 per day

Inmates on work release are required by General Statute to contribute toward the cost of their transportation to work. The current rate of reimbursement to the state is \$1.50 per day. It is recommended that this rate be increased to \$2 per day.

Requirements	\$	-	
Receipts		<u>44,844</u>	
Appropriation		\$ (44,844)	

9. Reduce the Division of Prisons Travel Budget

The Division of Prisons has turned in a number of Department of Administration (DOA) owned vehicles. Based on actual spending to date, a recurring reduction to the funds budgeted for rent/lease of DOA owned vehicles is recommended.

(150,000)

NR - Nonrecurring

2000-01 Recommended Changes
General Fund – Department of Correction – Continued

Recommended Adjustments - Continued

	<u>2000-01</u>	
10. Reduce Division of Prisons Employee Uniform Budget Due to a large number of correctional officer vacancies and a reduction in Central Warehouse inventory, the Department of Correction projects a recurring savings in employee uniforms of \$750,000. A reduction in the funds budgeted for uniforms is recommended accordingly.	\$ (750,000)	
11. Reduce Division of Prisons Equipment Budget by 10% A one-time reduction of 10% in equipment in the Division of Prisons is recommended to create fund availability.	(460,000) NR	
12. Cancel Food Service Contract at Black Mountain Currently the Division of Prisons contracts for the food service provided at the Black Mountain correctional facility. Food service can be accommodated through the Marion facility, which is less than 20 miles from the Black Mountain unit. Marion Correctional Institution’s existing food service staff will prepare the meals, and meals will be transported by van to Black Mountain. A reduction in contract costs is recommended accordingly.	(223,372)	
13. Drug Test Increase from \$2.50 to \$3.50 The Department of Correction provides drug testing on a contractual basis to a number of county, state and private facilities as well as the Division of Prisons at well below the cost of private drug testing. The current fee charged is \$2.50 per test. It is recommended that this fee be increased to \$3.50 per test. This proposed increase is still less expensive than private drug testing, and the increase would come closer to meeting the cost of supplies required in the testing. This is the first increase in this fee since inception of this service.		
Requirements	\$ -	
Receipts	84,124	
Appropriation	\$ (84,124)	
14. Reduce Division of Community Corrections Travel Budget Over the last few months the Division of Community Corrections has reduced the number of Department of Administration owned vehicles used by the division by defining caseloads into zones and thus reducing employee driving time significantly. A reduction in the division’s travel budget is recommended accordingly.	(200,000)	

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund – Department of Correction – Continued**

Recommended Adjustments - Continued

	<u>2000-01</u>	
<p>15. Reduce Division of Community Corrections Equipment Budget by 10% A one-time reduction of 10% in the equipment budget for the Division of Community Corrections is recommended to create fund availability for fiscal year 2000-01.</p>	\$ (110,000)	NR
<p>16. Reduce Department of Correction Management Budget A nonrecurring budget reduction of \$300,000 is recommended to be distributed across the non-salary operating budget for Department of Correction central administration to create availability.</p>	(300,000)	NR
<p>17. Reduce the Intensive Motivational Program of Alternative Correctional Treatment (IMPACT) Budget IMPACT, a 90 to 120 day boot camp program for probationers, is operational at two locations: IMPACT East in Hoffman is for males; IMPACT West in Morganton serves both male and female on a rotating basis. The program has a capacity of 1,500 but is only graduating 900. A 10% recurring budget reduction in the non-salary operating budget for IMPACT is recommended due to low participation.</p>	(108,300)	
<p>18. Close Currituck Correctional Facility (GPAC) It is recommended that the Currituck facility be closed effective August 1, 2000. This is a minimum custody facility with inmate standard operating capacity (SOC) of 56 and expanded operating capacity (EOC) of 68. A total of \$614,726 of this savings is recommended for the Office of Juvenile Justice to offset the expansion of the Camp Woodson Program. The Currituck facility was recommended for closing by the Government Performance Audit Commission (GPAC). Number of Positions</p>	(1,045,000) (38.0)	
<p>19. Reduce Division of Prisons (DOP) Food Budget The Division of Prisons has implemented cost savings initiatives in food service, which include changes to the master menu and decreasing inventory at the Department of Correction Central Warehouse. Accordingly, a recurring reduction is recommended in the food budget.</p>	(1,500,000)	

NR-Nonrecurring

2000-01 Recommended Changes
General Fund – Department of Correction – Continued

Recommended Adjustments - Continued

2000-01

- | | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 20. | <p>Abolish One Vacant Parole Commission Position
 Due to the declining number of parolees since the passage of structured sentencing, costs associated with the operation of the Commission are decreasing. The 1999 General Assembly, in House Bill 168, Section 18.1, directed that the Post Release Supervision and Parole Commission report on a plan for staff reduction in March 2000, including a minimum 10% reduction in staff positions in the 2000-2001 fiscal year over the 1999-00 fiscal year. Budget reductions taken in 1999-00 totaled \$354,799 with a recurring reduction of \$409,472, in excess of the 10% stipulated. A total reduction of \$35,561 is recommended for fiscal year 2000-01.</p> | \$ (35,561) |
| | Number of Positions | (1.0) |
| 21. | <p>Eliminate Eight Vacant Surveillance and Intensive Case Officer Positions
 Surveillance and intensive case officers are used in the Division of Community Corrections to provide intensive supervision to offenders placed on intermediate sanctions. Based on caseload projections, which reflect a slight decline in population under community supervision, a reduction of eight positions and \$327,152 is recommended in the budget for surveillance and intensive case teams as of July 2000. All eight positions are vacant.</p> | (327,152) |
| | Number of Positions | (8.0) |
| 22. | <p>Reduce Division of Prisons (DOP) Electricity Budget
 The Division of Prisons has realized savings from taking advantage of peak power options with the power companies and also has identified excess funds budgeted for opening new prison facilities. Based on projected expenditures for 1999-00, a reduction in the funds budgeted for electricity is recommended in the DOP.</p> | (300,000) |
| 23. | <p>Reduce Division of Community Corrections Employee Employment Physical Budget
 Physicals are required as a condition of employment for probation/parole officers and certain other employees in the Division of Community Corrections. Based on expenditures in 1999-00, a reduction is recommended in the funds budgeted for pre-employment physicals.</p> | (100,000) |

2000-01 Recommended Changes
General Fund – Department of Correction – Continued

Recommended Adjustments - Continued

2000-01

<p>24. Eliminate Six Electronic House Arrest (EHA) Specialist Positions House arrest with electronic monitoring is a special condition of supervised probation, parole, or post-release supervision. Computer technology is used to monitor and restrict the offender’s movement. All house arrest with electronic monitoring cases are supervised by probation and parole officers who respond to violations during regular work hours. Designated electronic house arrest response officers respond to violations after regular work hours. Electronic House Arrest (EHA) is a centralized monitoring system for tracking the movement of persons designated by the court to be placed on house arrest. Effective January 2001, the Division of Community Corrections Special Programs will implement a new, more automated monitoring system for Electronic House Arrest (EHA) which will allow a reduction in staff and a budget reduction in the first year of implementation of \$80,962, with a recurring cost savings of \$166,781 beginning in the second year.</p>	<p>\$ (80,962)</p>
<p>Number of Positions</p>	<p>(6.0)</p>
<p>Total Recommended Adjustments for Department of Correction</p>	
<p>Requirements</p>	<p>\$ (7,356,209)</p>
<p>Receipts</p>	<p><u>6,298,168</u></p>
<p>Appropriation</p>	<p>\$ (13,654,377)</p>
<p>Number of Positions</p>	<p>(53.0)</p>

**2000-01 Recommended Changes
General Fund – Continued**

Department of Crime Control and Public Safety

Recommended Adjustments

2000-01

1. Transfer of the Guard Response to Alternative Sentencing Program (GRASP) from the Department of Crime Control and Public Safety (DCCPS) to the Office of Juvenile Justice (OJJ)

The GRASP is currently administered by the Department of Crime Control and Public Safety and operated by the North Carolina National Guard. The program provides a regimented training program for at-risk and adjudicated juvenile offenders aged 13-15 years old. Because this is an intervention program designed specifically for juvenile offenders, it is recommended that the direct control of the program be transferred from the DCCPS to the OJJ. The National Guard will continue to operate this program through a contractual arrangement with the OJJ.

\$ (338,000)

2. Federal 2001 Juvenile Accountability Incentive Block Grant (JAIBG) to be Administered by the Office of Juvenile Justice (OJJ)

Currently the Juvenile Accountability Incentive Block Grant is administered by the Governor's Crime Commission in the Department of Crime Control and Public Safety. JAIBG is a block grant from the federal Department of Justice that funds a broad range of local juvenile crime programs. It is recommended that any JAIBG funds for the federal fiscal year 2001 be awarded to and administered by the OJJ. Federal fiscal year 2000 funds will total approximately \$5,650,000 and will be awarded in June 2000 by the Governor's Crime Commission.

Total Recommended Adjustments for the Department of Crime Control and Public Safety

Requirements	\$ (338,000)
Receipts	-
Appropriation	\$ (338,000)

2000-01 Recommended Changes
General Fund – Department of Crime Control and Public Safety - Continued

Recommended Changes to the 2000-01 Expansion

2000-01

1. Overtime Pay for Highway Patrol

An increase in the Highway Fund support for the Highway Patrol is recommended to begin to implement overtime pay in lieu of compensatory leave for the Highway Patrol. Currently there is no money budgeted for the Highway Patrol to pay overtime. Based on a forty hour work week, in 1999, the Highway Patrol would have given the equivalent of 104,666 hours of compensatory time or the equivalent of fifty full time troopers. The number of licensed drivers in North Carolina has grown more than eighty percent since the mid-1970's, while the number of troopers has grown less than twenty percent. With the lack of adequate manpower, overtime for troopers continues to increase. These funds will assist in the effort to increase manpower as opposed to decreasing coverage through the practice of troopers taking compensatory time off.

Requirements	\$ 1,500,000
Receipts (Highway Fund)	<u>1,500,000</u>
Appropriation	\$ -

Total Recommended Changes to the 2000-01 Expansion for Crime Control and Public Safety

Requirements	\$ 1,500,000
Receipts (Highway Fund)	<u>1,500,000</u>
Appropriation	\$ -

**2000-01 Recommended Changes
General Fund - Continued**

Department of Justice

Recommended Adjustments

2000-01

1. Transfer of J-NET Positions from Department of Justice to Office of Juvenile Justice

It is recommended that three positions currently located in the Department of Justice and working with the Juvenile Justice Information Network (J-NET) be transferred to the Office of Juvenile Justice. Of the total recommended, \$210,000 is for positions (one project director and two information and business systems liaisons); and \$15,000 is for support. The \$210,000 for the positions was appropriated for 1998-99; and the \$15,000 was appropriated for 1999-01.

Number of Positions

\$ (225,000)
(3.0)

Total Recommended Changes to the 2000-01 Expansion for Department of Justice

Requirements

\$ (225,000)

Receipts

-

Appropriation

\$ (225,000)

Number of Positions

(3.0)

**2000-01 Recommended Changes
General Fund – Continued**

Office of Juvenile Justice

Recommended Adjustments

2000-01

1. Opening of Two New Detention Centers Delayed

Funding in the amount of \$840,000 was appropriated for operating costs for two new detention centers in Alexander and Wayne Counties, originally scheduled to be open by January 2001. Current estimates indicate the centers will not be open until July 1, 2001, allowing a nonrecurring reduction in the funds budgeted for the fiscal year 2000-01.

\$ (561,000) NR

Total Recommended Adjustments for Office of Juvenile Justice

Requirements

\$ (561,000)

Receipts

-

Appropriation

\$ (561,000)

Recommended Changes to the 2000-01 Expansion

1. Intermediate Sanctions – Juvenile Crime Prevention Councils (JCPC Grants)

JCPC grants are directed at helping children who, because of changes in sentencing laws, have been diverted from training schools. The grants establish permanent funding in all 100 counties for this purpose. The 1998 Session of the General Assembly funded local juvenile justice programs at a level of \$5,511,990. A total of \$29 mil is currently budgeted for JCPC grants; but some of these funds are from one-time sources such as carryforward, which reduces the amount available for next year to \$24 million. Of the \$5.5 million appropriated in 1998, \$3.6 million was direct allocation to counties. Funds are recommended to restore the level of funding for state fiscal year 2000-01 to that of the current year.

\$ 3,688,000

2000-01 Recommended Changes
General Fund – Office of Juvenile Justice - Continued

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

2. **Management Information System**

The Office of Juvenile Justice (OJJ) receives complaints on approximately 30,000 juveniles per year and provides institutional and community based services to approximately 50,000 juveniles annually. At present, information on juveniles is maintained in multiple filing systems. The OJJ is not electronically linked and in many cases, only paper records exist. The current system causes greater incidence of error and an incomplete database, which does not allow conducting research and evaluation studies of a longitudinal nature on the juveniles within the juvenile justice system.

The Juvenile Information Network (J-NET) is a comprehensive computer program being developed to serve OJJ needs. The Juvenile Network Planning Project Final Report dated October 1998, recommended computers, program maintenance staff, LAN administrators, connection lines, and other operational functions as necessary to make J-NET operational.

For initial support of J-NET, the OJJ obtained a Management Information System (MIS) grant in the amount of \$2,393,276 for 1999-00 from the Governor's Crime Commission. Funds in the amount of \$956,590 are recommended to continue to support this initiative for the last six months of fiscal year 2000-01 when grant funds will no longer be available. The funds recommended will be used to support 10 positions responsible for the functions noted earlier. Annualized costs will be \$2,002,545.

\$ 956,590

3. **Camp Woodson**

Camp Woodson is a therapeutic adventure oriented camping program operated by the Office of Juvenile Justice as an intermediate sanction, that is, youth participating in the program are referred through the juvenile court in selected District Courts. These youth are placed on probation with an intermediate sanction requiring that they complete the Camp Woodson Program. Youth may also be referred to the program by the training schools to assist in transition back into the community. Currently, the program is operated only in Buncombe County (Camp Woodson West). It is recommended that \$614,726 of the savings realized from the closing of Currituck

**2000-01 Recommended Changes
General Fund – Office of Juvenile Justice - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

Camp Woodson - Continued

Correctional Facility in the Department of Correction be used to offset the expense of an additional three positions at Camp Woodson West and expansion of this program to a location in Washington County (Camp Woodson East) effective October 1, 2000.

Additional support in the amount of \$215,800 for nonrecurring start-up costs for the program will come from a grant from the Governor’s Crime Commission (GCC). Nonrecurring start-up costs and recurring operating expenses associated with meal planning and preparation will be supported from federal Child Nutrition grant funds in the amount of \$75,920 nonrecurring and \$59,980 recurring. Start up construction costs will be minimized through the use of inmate labor from the Department of Correction.

Requirements	\$966,426		
Nonrecurring Receipts (GCC)	215,800		
Nonrecurring Receipts (Child Nutrition)	\$ 75,920		
Recurring Receipts (Child Nutrition)	<u>59,980</u>		
Nonrecurring Appropriation	23,978	\$	23,978 NR
Recurring Appropriation	\$590,748		590,748
Number of Positions			24.0

4. Transfer of J-NET Positions from the Department of Justice to the Office of Juvenile Justice

It is recommended that three positions currently located in the Department of Justice and working with the Juvenile Justice Information Network (J-NET) be transferred to the Office of Juvenile Justice. Two hundred and ten thousand dollars is for positions (one project director and two information and business systems liaisons); \$15,000 is for support. The \$210,000 for the positions was appropriated for 1998-99; and the \$15,000 was appropriated for 1999-01.

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – Office of Juvenile Justice - Continued**

Recommended Changes to the 2000-01 Expansion – Continued

2000-01

Transfer of J-NET Positions from the Department of Justice to the Office of Juvenile Justice - Continued

J-NET is a comprehensive software program developed by the Office of Juvenile Justice to provide critical information about juveniles in North Carolina. This information database eventually will form a communication link with other agencies such as the Division of Social Services, Department of Correction, and the Department of Public Instruction allowing both horizontal and longitudinal studies to be performed.

\$ 225,000
3.0

Number of Positions

5. Transfer of the Guard Response to Alternative Sentencing Program (GRASP) from the Department of Crime Control and Public Safety (DCCPS) to the Office of Juvenile Justice (OJJ)

The GRASP is currently administered by the Department of Crime Control and Public Safety and operated by the North Carolina National Guard. The program provides a regimented training program for at-risk and adjudicated juvenile offenders aged 13-15 years old. The program's mission is to build self-esteem and emphasize the consequences of individual actions. The OJJ is currently receiving this funding through the DCCPS and is responsible for the program's outcome. Because this is an intervention program designed specifically for juvenile offenders, it is recommended that the direct control of the program be transferred from the DCCPS to the OJJ. The National Guard will continue to operate this program through a contractual arrangement with the OJJ.

338,000

6. Federal 2001 Juvenile Accountability Incentive Block Grant (JAIBG) Funds to be Administered by the Office of Juvenile Justice (OJJ)

Currently, the Juvenile Accountability Incentive Block Grant is administered by the Governor's Crime Commission in the Department of Crime Control and Public Safety. JAIBG is a block grant from the federal Department of Justice that funds a broad range of local juvenile crime programs. It is recommended that any JAIBG for federal fiscal year 2000 will total approximately \$5,650,000 and will be awarded in June 2000 by the Governor's Crime Commission.

**2000-01 Recommended Changes
General Fund – Office of Juvenile Justice – Continued**

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

Federal 2001 Juvenile Accountability Incentive Block Grant (JAIBG) Funds to be Administered by the Office of Juvenile Justice (OJJ) - Continued

funds for the federal fiscal year 2001 be awarded to and administered by the OJJ. The OJJ will direct this funding to local Juvenile Crime Prevention Councils (JCPCs), which would then determine how these funds could best serve local prevention efforts. JAIBG funds

7. Transfer of Center for Prevention of School Violence from North Carolina State University to the Office of Juvenile Justice (OJJ)

It is recommended that the Center for Prevention of School Violence, currently located at North Carolina State University, be transferred to the Office of Juvenile Justice. The Center is the primary point of contact for information, programs, and research about the prevention of school violence. The Center is involved in the establishment and support of School Resource Officers, Students Against Violence Everywhere (SAVE) chapters, and conflict management and peer mediation programs.

Number of Positions	\$	500,000
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		7.0
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Total Recommended Changes to the 2000-01 Expansion for Office of Juvenile Justice

Requirements	\$	6,674,016
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Receipts		351,700
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Appropriation (including Transfers)	\$	6,322,316
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Number of Positions		34.0
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**2000-01 Recommended Changes
General Fund - Continued**

Department of Agriculture and Consumer Services

Recommended Changes to the 2000-01 Expansion

2000-01

1. Farmland Preservation Trust

This will begin to fund the Million Acre Initiative which protects open space and farmland through agricultural conservation easements. This will help farmers continue farming; slows the loss of productive agricultural land; sustain the production of food and fiber and the viability of an agricultural industry; prevent development from damaging existing farmland and protect natural resources required for farming, and contribute to the conservation of water quality and natural areas. This includes \$200,000 for CGIA for mapping and operating support, which is essential to the program.

\$ 1,200,000 NR

Total Recommended Changes to the 2000-01 Expansion for
Department of Agriculture and Consumer Services

Requirements
Receipts
Appropriation

\$ 1,200,000

-
 \$ 1,200,000 NR

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Department of Commerce

Recommended Adjustments

	<u>2000-01</u>	
1. NC Competitive Commission Repealed		
The law authorizing the Commission was repealed by the 1999 General Assembly; therefore, the funding is no longer needed.	\$ (218,000)	
2. Center for Entrepreneurship and Technology (CET)-New and Emerging Industries		
Created in 1997-98 with a \$300,000 appropriation, this program addressed the need for ongoing planning and program development in the recruitment of new and emerging technology industries. This action will reduce the program by one-third.	(100,000)	
3. Welcome Centers		
Budgets for utilities and supplies are reduced.	(10,000)	
4. Travel Film and Sports Development		
Telephone and postage savings associated with increased use of the internet have been realized.	(100,000)	
5. Workforce Commission		
Excess Salary Reserve was created when a position was moved from appropriation to receipt support.	(25,000)	
6. Eliminate Fund Balance		
Years ago, Commerce had a centralized copying office for the entire department. Agencies were charged for usage so that they could eventually replace the machines. This function is no longer active. The fund balance will be transferred to the General Fund for reduction.		
Requirements	\$ -	
Receipts	<u>64,329</u>	
Appropriation	\$ (64,329)	NR
Total Recommended Adjustments for Department of Commerce		
Requirements	\$ (453,000)	
Receipts	<u>64,329</u>	
Appropriation	\$ (453,000)	
	(64,329)	NR

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – Commerce - Continued**

Recommended Changes to the 2000-01 Expansion

2000-01

- | | | | |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------|
| 1. | <p>JobReady Implementation Grants and Operating Support
 In 1994, the state received a \$30 million five-year federal School-To-Work grant to expose students to the world of work. This approach combines advanced classroom courses and high academic standards with real life learning to prepare students for college and the cutting-edge jobs of the twenty-first century. Federal Funding ended in 1999-00. Seventy-seven partnerships covering all 100 counties have been funded on a three-year implementation grant schedule. Fifty-three partnerships have received their full three-years of implementation grants. However, 19 partnerships need one more year of funding and five partnerships need two more years of funding totaling nonrecurring funding in the amount of \$732,958 for 2000-01 as well as \$366,578 for 2001-02. This appropriation will replace a portion of the federal funding to complete the three-year implementation grant commitment made to local partnerships and provide continuing technical assistance to all local partnerships through the state program staff.</p> | \$ 289,851
732,958 | NR
4.0 |
| Number of Positions | | | |
| 2. | <p>Industrial Recruitment Competitive Fund
 The Industrial Recruitment Competitive Fund was established in 1993 for the purpose of providing financial assistance to those businesses and/or industries deemed to be vital to a healthy and growing state economy and that are making significant efforts to establish or expand in North Carolina. The fund provides grants to companies for machinery and equipment, based upon the number of jobs created (\$1,000 per job) and the tier ranking of the county. The current maximum grant is \$125,000 per project for Tier 1 counties and is reduced by \$25,000 for each Tier increase.</p> | 2,000,000 | NR |
| 3. | <p>Rural Prosperity Task Force—Rural Redevelopment Authority
 Funds are recommended to create the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.</p> | 250,000 | |

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund – Commerce - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

	<u>2000-01</u>	
4. Rural Prosperity Task Force—Agricultural Advancement Consortium		
Funds are recommended to create the Agricultural Advancement Consortium which will bring together a coalition of experts and interested parties, including farm organizations, universities, the North Carolina Department of Agriculture and Consumer Services, N.C. Cooperative Extension, State Ports, and others to research trends and identify and promote opportunities to improve the state’s economic development through farming and agricultural interests.	\$ 250,000	
Total Recommended Changes to the 2000-01 Expansion for Department of Commerce		
Requirements	\$ 3,522,809	
Receipts	-	
Appropriation	\$ 789,851	
	2,732,958	NR
Number of Positions	4.0	

Department of Commerce – State Aid to Non-State Entities

Recommended Changes to the 2000-01 Expansion

1. Rural Prosperity Task Force—North Carolina Biotechnology Center		
Funds are recommended to provide additional funding for research into value-added genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.	\$ 2,000,000	NR
Total Recommended Changes to the 2000-01 Expansion for Department of Commerce – State Aid to Non-State Entities		
Requirements	\$ 2,000,000	
Receipts	-	
Appropriation	\$ 2,000,000	NR

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Department of Commerce – Information Technology Services (ITS)

Recommended Adjustments

		<u>2000-01</u>
1. Year 2000 (Y2K) Conversion Fund Balance		
In 1997, a special fund was established to support the state’s successful response to the Y2K problem. Funds remain that are no longer needed. The fund balance will be transferred to the General Fund.		
Requirements	\$	-
Receipts		<u>9,000,000</u>
Appropriation	\$	(9,000,000) NR
 Total Recommended Adjustments for Department of Commerce-ITS		
Requirements	\$	-
Receipts		<u>9,000,000</u>
Appropriation	\$	(9,000,000) NR

Recommended Changes to the 2000-01 Expansion

- 1. North Carolina Information Network (NCIN)**
The NCIN (Information Highway) provides state government with two principal services: (1) a high-speed backbone that carries the state’s data traffic and (2) a two-way interactive video network. The NCIN currently serves over 2,000 state and local government agency locations for data and 172 video sites. Of the 172 video sites, 41 are community colleges, 72 are high schools, 7 are universities, and the remaining 52 sites are state agencies and other governmental institutions. In the 1999-00 fiscal year, the legislature provided approximately \$3.6 million in non-recurring funds to pay \$2,250 per month per site for continuing operations in 114 of the approved sites.

**2000-01 Recommended Changes
General Fund – Commerce – ITS - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

2000-01

North Carolina Information Network (NCIN) - Continued

This level of funding is still needed. It is recommended that Information Technology Services use available fund balance to support \$2.7 million of this total cost with federal e-rate funding anticipated at \$900,000 supporting the balance of the cost.

Requirements	\$ 3,596,000	
Receipts	<u>3,596,000</u>	NR
Appropriation	\$ -	
Total Recommended Changes to the 2000-01 Expansion for Department of Commerce - ITS		
Requirements	\$ 3,596,000	
Receipts	<u>3,596,000</u>	NR
Appropriation	\$ -	

NR - Nonrecurring

**2000-01 Recommended Changes
General Fund - Continued**

Department of Environment and Natural Resources

Recommended Adjustments

	<u>2000-01</u>	
1. Aquarium – Delay Construction at Pine Knoll Shores		
The 2000-01 Budget included \$1,569,337 in a reserve for staffing and operating the expanded aquarium at Pine Knoll Shores. The capital project has been delayed, therefore the reserve will not be required, until the capital funding is available. The reserve will be required to be restored when the capital project is completed.	\$ (1,569,337)	
Number of Positions	(25.0)	
2. Division of Air Quality – Budget Excess Receipts		
The Division of Air Quality receives a portion of the fuel tax charged for gasoline. There are adequate receipts to replace appropriations within the Division’s budget without reducing services. This will involve shifting appropriation supported positions to receipt support.		
Requirements	\$ -	
Receipts	<u>200,000</u>	
Appropriation	\$ (200,000)	
3. Division of Forest Resources – 2% Reduction		
The Department is considering the following reductions: equipment replacement delays, reduction in temporary firefighters funding, increasing local match requirement, and consolidation of fire districts.	(662,000)	
4. Division of Coastal Management – Land Use Planning Funds		
There has been a moratorium on new land use plans since July 1, 1999, to allow the Division to review the process for efficiencies. This moratorium is expected to continue through June 30, 2001. Therefore all the grant funding to local governments will not be required during SFY 2001. This reduction may be made for one year only.	(100,000)	NR
Total Recommended Adjustments for Department of Environment and Natural Resources		
Requirements	\$ (2,331,337)	
Receipts	<u>200,000</u>	
Appropriation	\$ (2,431,337)	
Number of Positions	(100,000)	NR
	(25.0)	

NR – Nonrecurring

**2000-01 Recommended Changes
General Fund - Environment and Natural Resources - Continued**

Recommended Changes to the 2000-01 Expansion

2000-01

1. Division of Marine Fisheries – IT Operating Funds

The General Assembly has provided funding for the past three years for the development of a data management system for the Marine Fisheries programs. The appropriation has been non-recurring, except for a small amount of recurring funding to cover the cost of two positions, therefore there are no funds for on-going operations such as line charges, SIPS processing time, and software licenses fees. These funds will be provided by the commercial fishing license fees.

Requirements	\$ 750,000
Receipts	<u>750,000</u>
Appropriation	\$ -

2. Stormwater Pollution

Urbanization and development of watersheds is increasing stormwater pollution and flooding. The federal National Pollutant Discharge Elimination System (NPDES) Stormwater Program currently covers 3600 facilities throughout North Carolina. New EPA requirements will add more facilities, construction sites and local governments to the program. Seven of the recommended staff will be located at the regional offices to improve stormwater permitting, compliance and enforcement and technical assistance. One environmental engineer and two environmental specialists will be located in the central office to support regional staff and improve compliance oversight.

Number of Positions	775,000 (9.0)
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**2000-01 Recommended Changes
General Fund - Environment and Natural Resources - Continued**

Recommended Changes to the 2000-01 Expansion - Continued

	2000-01
3. Sedimentation Pollution	
Sedimentation is a primary source of water pollution. Increasing inspections increases proper installation and maintenance of erosion and sediment control measures and protects water quality. Recommended staff will be located in the regional offices to increase inspections and provide technical assistance.	\$ 225,000
Number of Positions	(3.0)
Total Recommended Changes to 2000-01 Expansion for Department of Environment and Natural Resources	
Requirements	\$ 1,750,000
Receipts	750,000
Appropriation	\$ 1,000,000
Number of Positions	(12.0)

Note: The Department of Environment and Natural Resources will introduce legislation during the May Session that will help North Carolina meet the statutory 40% solid waste reduction goal. The legislation will include a landfill tipping fee. Proceeds from this fee will be used to: (1) complete the detoxification of the PCB landfill in Warren County; (2) monitor, contain, and clean up abandoned landfills; (3) redevelop brownfields; and (4) provide grants to local governments to build recycling capacity.

2000-01 Recommended Changes

IV. Transportation

A. Transportation Program

Total funding in excess of \$3.0 billion is required to support the state's Transportation Program for the 2000-01 fiscal year. Approximately \$1,240.0 million, or 41% of the total is provided from the traditional Highway Fund. Highway Trust Fund availability adds another \$995.5 million of the total, which represents about 33%. Other state funds include General Fund support totaling \$15.4 million and departmental receipts of \$6.4 million. Federal Aid totals \$774.7 million, or 26%.

North Carolina Transportation Program, 2000-01

<u>Budget Code</u>	<u>Highway Fund</u>	<u>Highway Trust Fund</u>	<u>Department Receipts</u>	<u>Federal Funds</u>	<u>General Fund</u>	<u>Total</u>
84210 Administration	\$ 65,686,156	\$ 5,720,183	\$ 568,382	\$ -	\$ -	\$ 71,974,721
Division of Highways						
84220 Administration	36,495,582	6,748,700	463,675	-	-	43,707,957
84230 Construction	123,002,000	742,165,617	-	736,871,200	-	1,602,038,817
84230 Maintenance	485,569,469	-	-	-	-	485,569,469
84230 Planning and Research	2,959,649	-	-	10,932,436	-	13,892,085
84230 Motor Carrier Safety	897,172	-	-	-	-	897,172
84230 OSHA Program	425,000	-	-	-	-	425,000
84230 Ferry Operations	18,174,622	-	-	-	-	18,174,622
State Aid						
84230 Municipalities	87,902,000	49,126,497	-	-	-	137,028,497
84230 Public Transportation	38,246,921	-	-	6,828,057	-	45,074,978
84230 Airports	-	-	-	15,478,062	11,609,165	27,087,227
84230 Railroads	21,507,088	-	-	-	-	21,507,088
84240 Governor's Highway Safety	338,121	-	-	4,567,689	-	4,905,810
84260 Division of Motor Vehicles	93,796,516	4,158,449	5,353,499	-	-	103,308,464
84290 Uncommitted Trust Fund Admin.	-	9,620,554	-	-	-	9,620,554
84270 Other State Agencies	176,966,099	-	-	-	3,825,000	180,791,099
84290 Transfer to General Fund	-	170,000,000	-	-	-	170,000,000
84290 Additional Administrative-Transfer	-	8,000,000	-	-	-	8,000,000
84270 Reserves and Transfers	<u>79,063,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,063,605</u>
Total Operating	\$1,231,030,000	\$995,540,000	\$6,385,556	\$774,677,444	\$15,434,165	\$3,023,067,165
84230 Capital Improvements	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000,000</u>
Grand Total	<u>\$1,240,030,000</u>	<u>\$995,540,000</u>	<u>\$6,385,556</u>	<u>\$774,677,444</u>	<u>\$15,434,165</u>	<u>\$3,032,067,165</u>

**2000-01 Recommended Changes
Transportation - Continued**

B. Highway Fund

The Highway Fund receives its support from three primary sources: (1) three-fourths of the Motor Fuels tax collected by the Department of Revenue; (2) licenses and fees collected by the Division of Motor Vehicles; and (3) interest earned from investment of the fund cash balance by the State Treasurer.

1. Revenue

Highway Fund revenue totaled \$1,131.0 million in 1998-99, increasing by 1.6% from the previous year. It is projected that revenue will total \$1,156.5 million in 1999-00, and \$1,240 million in 2000-01, representing increases of 2.3% and 7.2% respectively. The unusually rapid projected growth in collections in 2000-01 is the result of motor fuel price increases.

Motor fuel consumption is expected to increase at an above average rate of 3.7% in 1999-00, followed by a more typical rate of 3.1%. Motor fuel prices are anticipated to peak in calendar 2000, then decline, but remain above their previous lows. As a result of the lag between the actual wholesale price of motor fuels and changes in the wholesale tax component of the motor fuels tax, fiscal year 2000-01 will feel the largest impact of the recent price increases. It is estimated that collections will total \$801.9 million in 1999-00 and \$875.3 million in 2000-01, representing growth of 3.4% and 9.2% respectively.

Licenses, Fees, and other state revenue are projected to total \$338.6 million in 1999-00, and \$350.3 million in 2000-01. This represents a decline in collections of 0.4% in 1999-00, and an increase in revenue of 3.4% in 2000-01. As a result of converting from a four-year to a five-year renewal cycle for driver licenses, collections are projected to decline by 8.5% in 1999-00, and then expand by 7.6% in 2000-01. Normal long-term annual growth is in the 1.5% range. International registration plan collections have been very volatile as other states make-up for payment deficiencies. In 1998-99 collections grew by 21.3%. It is projected that collections will decline by 5.4% in 1999-00, and then expand at a more normal rate of 2.5% the following year. The remaining licenses and fees are projected to expand in the 2.5% to 3% range.

Investment income is projected to total \$15.9 million in 1999-00 and \$14.4 million in 2000-01. This represents an increase of 2.6% the first year, followed by a 9.5% decline the second. The decline is a result of smaller cash balances as revenue from the 1997 bond issue is depleted.

**2000-01 Recommended Changes
Transportation - Continued**

Highway Fund Revenue, 1999-01

	<u>1998-99</u> <u>Actual</u>	<u>1999-00</u> <u>Estimated</u>	<u>2000-01</u> <u>Projected</u>
Motor Fuels Taxes:			
Motor Fuels Tax	\$ 762,888,008	\$ 788,860,000	\$ 861,860,000
Inspection Fee	12,491,183	12,950,000	13,350,000
Highway Use Registration Fee			
	<u>162,905</u>	<u>120,000</u>	<u>120,000</u>
Total Motor Fuels Tax	\$ 775,542,096	\$ 801,930,000	\$ 875,330,000
Licenses and Fees:			
Staggered Registration Plan	\$ 139,114,535	\$ 143,290,000	\$ 146,870,000
International Registration Plan	50,791,801	48,060,000	49,260,000
Drivers License Fees	62,278,971	57,000,000	61,320,000
Truck Licenses	56,781,624	58,480,000	60,240,000
Other Licenses and Fees			
	<u>30,978,863</u>	<u>31,770,000</u>	<u>32,580,000</u>
Total Licenses and Fees	\$ 339,945,794	\$ 338,600,000	\$ 350,270,000
Investment Income			
	<u>15,541,363</u>	<u>15,940,000</u>	<u>14,430,000</u>
Total Highway Fund Revenue	<u><u>\$1,131,029,253</u></u>	<u><u>\$1,156,470,000</u></u>	<u><u>\$1,240,030,000</u></u>

Condition of the Highway Fund, 2000-01

	<u>1999-00</u> <u>Estimated</u>	<u>2000-01</u> <u>Authorized</u>	<u>Net Changes</u> <u>Recommended</u>	<u>2000-01</u> <u>Recommended</u>
<u>Availability:</u>				
Beginning Credit Balance:				
Estimated Reversions	\$ 5,200,000	\$ -	\$ -	\$ -
Overrealized Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 5,200,000	\$ -	\$ -	\$ -
State Highway Revenue	<u>1,154,690,000</u>	<u>1,194,410,000</u>	<u>45,620,000</u>	<u>1,240,030,000</u>
Total Availability	\$1,159,890,000	\$1,194,410,000	\$ 45,620,000	\$1,240,030,000
Expended and Reserved	<u>1,159,890,000</u>	<u>1,181,410,000</u>	<u>58,620,000</u>	<u>1,240,030,000</u>
Ending Credit Balance	<u><u>\$ -</u></u>	<u><u>\$ 13,000,000</u></u>	<u><u>\$ (13,000,000)</u></u>	<u><u>\$ -</u></u>

**2000-01 Recommended Changes
Transportation - Continued**

Recommended Adjustments

Transportation Administration – 84210

	<u>2000-01</u>
1. Funds for Additional Insurance Coverage of Facilities	
In accordance with analyses performed by the State Property Office and the Department of Insurance an increase in insurance coverage for existing Department of Transportation buildings is requested.	\$ 125,000
2. Division of Motor Vehicles Mail Costs and Operations	
This request includes \$400,000 to pay postage expense due to an increase in the volume of mail for Division of Motor Vehicles. It also includes one-time funds to replace the current mail inserter that is constantly in need of repair.	595,000
3. Central Warehouse Rental and Staff	
Several years ago the Office of the State Auditor was sharply critical of the warehouse conditions and security for sensitive Division of Motor Vehicles items such as vehicle safety stickers, firearms for enforcement, and enforcement uniforms. The Department rented a better warehouse in the summer of 1999 with credit balance funds from 1998-99 to improve the situation. This request is for permanent funding for rent (\$292,500), permanent staff and operating costs for the warehouse.	556,914
Number of Positions	4.0
Total Recommended Changes for Transportation Administration	\$ 1,276,914
Number of Positions	4.0

Transportation Construction and Maintenance – 84230

4. Municipal Aid (Powell Bill)	
This sum is required by law based on revised revenue estimates by the Office of State Budget and Management.	\$ 192,000
5. Secondary Roads Construction	
This sum is required by law based on revised revenue estimates by the Office of State Budget and Management.	192,000

2000-01 Recommended Changes
Transportation – Construction and Maintenance – 84230 – Continued

2000-01

6. Capital Improvements

The Department owns hundreds of facilities statewide. Many are old and dilapidated. The Department has a capital improvement plan that schedules \$15 million per year in replacement, repair and renovation. In 1998-99 only \$4 million was appropriated and in 1999-00 no capital funding was appropriated. This request will allow the Department to again continue efforts to provide needed buildings, maintenance facilities and repairs across the state.

\$ 9,000,000

7. Operating and Capital Assistance to Public Transit

During the 1999 session of the General Assembly the legislature added \$5.2 million to the 1999-00 public transportation budget. Of that amount, \$4.9 million was for operating assistance grants to the urban bus systems throughout the state and \$300,000 was for capital assistance to rural transit systems. The funds for the 1999 appropriation came from a one-time source and will not be available in the future. This request is to continue to fund these very important needs on a continuing basis from Highway Fund availability.

5,200,000

8. Highway Maintenance

Highway maintenance continues to be a tremendous need across our state. In past years a backlog ranging from \$200 million to \$300 million has been constant and highway fund appropriations have not been available to remove the backlog and establish a routine maintenance schedule to keep up with the demand.

This request will provide additional funds to help meet this critical need.

23,500,000

Total Recommended Changes for Transportation Construction and Maintenance

\$ 38,084,000

Division of Motor Vehicles– 84260

9. Driver License Lease Agreements Renewals

Funds are requested to pay for increases in the annual lease agreements for 19 driver license offices located across the state. The lease agreements will cover rental, utilities and janitorial services. The leases that are expiring will be renewed at higher rates.

\$ 183,025

**2000-01 Recommended Changes
 Transportation – Division of Motor Vehicles – 84260 – Continued**

2000-01

- | | | | |
|-----|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 10. | Emissions and Safety Inspection Stickers | <p>The Emissions Program now requires a sticker that is bar coded for tracking purposes. Since the inspection centers have only one piece of equipment for both emissions and safety inspections the sticker that is applied to the windshields of inspected vehicles must now have bar coding. This request will help supply the newly redesigned stickers.</p> | \$ 194,000 |
| | | | |
| 11. | Additional Hearing Officers | <p>The Division of Motor Vehicles currently has 23 Hearing Officers who conduct hearings across the state pertaining to driver license revocations. State law requires a hearing to be conducted within 60 days of a driver’s request. With the current number of hearing officers it is difficult and sometimes impossible to comply. The Department projects an increase in the number of DWI violations and suspensions resulting in an increase in requested hearings.</p> <p>This request will provide for three additional Hearing Officers that will help afford drivers a hearing within the timeframe prescribed by law.</p> | 136,059 |
| | Number of Positions | | 3.0 |
| | | | |
| 12. | West Raleigh Office Lease | <p>The West Raleigh Division of Motor Vehicles office just off Blue Ridge Road is inadequate. The Capital Improvement request contains funds to replace that facility and also provide space to house the Division of Motor Vehicles Enforcement Office that is also located in the same area. Until the new facility is completed it will be necessary to lease space to continue to serve the citizens in that area.</p> | 296,200 |
| | | Total Recommended Changes for Division of Motor Vehicles | \$ 809,284 |
| | | Number of Positions | 3.0 |

Reserves and Transfers – 84270

- | | | | |
|-----|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------|
| 13. | Leaking Underground Storage Tank Trust Fund | <p>This sum is required by law based on revised revenue estimates by the Office of State Budget and Management.</p> | \$ 200,000 |
|-----|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------|

2000-01 Recommended Changes
Transportation – Reserves and Transfers – 84270 – Continued

	<u>2000-01</u>
14. Driver Education This increase is requested by the Department of Public Instruction to provide for increased enrollment in the target age group.	\$ 449,802
15. 3% Salary Increase for Highway Fund Supported Positions This amount was set aside but not budgeted during the 1999 Legislative Session. It will provide for a 3% salary increase for all positions currently funded from Highway Fund Appropriations.	13,000,000
16. Reserve for Division of Motor Vehicles Systems Maintenance The Division of Motor Vehicles has implemented numerous automated systems to administer the motor vehicle and driver laws of the state. The systems include (STARS) Vehicle Registration, (SADLS) Driver Licensing, (CRASH) Traffic Records, (IRP) International Registration Plan and several other smaller systems each requiring continual maintenance and functional modifications. This work is currently done primarily by contracted services and costs approximately \$5 million per year with a budget of \$1 million. The Department has used funds from the credit balance in the past to meet these critical needs. The Department is also requesting that these funds be placed in a reserve so as to allow them to look at any benefits that may be derived by changing to having the work done in house as opposed to contracting.	3,300,000
17. Highway Patrol Overtime Pay An increase in Highway Funds budgeted to support the Highway Patrol is recommended to implement overtime pay in lieu of compensatory leave. Currently there are no funds budgeted for the Highway Patrol to pay overtime. These funds would assist in the effort to increase manpower as opposed to decreasing coverage through the practice of troopers taking compensatory time off.	1,500,000
Total Recommended Changes for Reserves and Transfers	\$ 18,449,802
Total Recommended Changes for Department of Transportation	\$ 58,620,000
Number of Positions	7.0

**2000-01 Recommended Changes
Transportation - Continued**

**Changes to the 2000-01 Highway Fund Budget
(Highway Fund Appropriations Only)**

	<u>2000-01 Previously Authorized</u>	<u>Revision</u>	<u>2000-01 Revised Appropriation</u>
DOT-General Administration	\$ 64,409,242	\$ 1,276,914	\$ 65,686,156
Highway Division Administration	36,495,582	-	36,495,582
State Match for Federal Aid-Planning and Research	2,959,649	-	2,959,649
Construction Program:			
State Secondary System	\$ 87,710,000	\$ 192,000	\$ 87,902,000
State Urban System	14,000,000	-	14,000,000
Discretionary Funds	10,000,000	-	10,000,000
Spot Safety Improvements	9,100,000	-	9,100,000
Access and Public Service Roads	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total Construction Program	\$ 122,810,000	\$ 192,000	\$ 123,002,000
Maintenance Program:			
Primary System	\$ 114,393,724	\$ -	\$ 114,393,724
Secondary System	195,247,571	-	195,247,571
Urban System	37,475,926	-	37,475,926
Contract Resurfacing	<u>114,952,248</u>	<u>23,500,000</u>	<u>138,452,248</u>
Total Maintenance Program	\$ 462,069,469	\$ 23,500,000	\$ 485,569,469
Ferry Operations	\$ 18,174,622	\$ -	\$ 18,174,622
Motor Carrier Safety	897,172	-	897,172
State Aid to Municipalities	87,710,000	192,000	87,902,000
State Aid to Railroads	21,507,088	-	21,507,088
State Aid for Public Transportation	33,046,921	5,200,000	38,246,921
OSHA Program	425,000	-	425,000
Governor's Highway Safety Program	338,121	-	338,121
Division of Motor Vehicles	92,987,232	809,284	93,796,516
Total Department of Transportation	\$ 943,830,098	\$ 31,170,198	\$ 975,000,296

**2000-01 Recommended Changes
Transportation – Continued**

	2000-01 Previously Authorized	Revision	2000-01 Revised Appropriation
Appropriations to Other State Agencies:			
Agriculture	\$ 3,339,686	\$ -	\$ 3,339,686
Revenue	3,018,692	-	3,018,692
State Treasurer-Sales Tax	13,800,000	-	13,800,000
Public Instruction-Driver Education	26,201,384	449,802	26,651,186
Crime Control and Public Safety-Highway Patrol	121,745,269	-	121,745,269
Environment, and Natural Resources:			
LUST Trust Fund	6,791,622	200,000	6,991,622
Health and Human Services:			
Chemical Test	419,644	-	419,644
Global Transpark	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total-Other State Agencies	\$ 176,316,297	\$ 649,802	\$ 176,966,099
Reserves and Transfers:			
Legislative Salary Increase	\$ 25,668,715	\$ 13,000,000	\$ 38,668,715
Salary Adjustment	200,000	-	200,000
DMV Pay Equity	3,390,708	-	3,390,708
Minority Contractor Development	150,000	-	150,000
State Fire Protection Grant	150,000	-	150,000
DMV Vehicle Seizure	29,182	-	29,182
State Health Plan	7,000,000	-	7,000,000
Reserve for General Maintenance	31,000,000	-	31,000,000
Stormwater Discharge Permit	500,000	-	500,000
DMV Systems Maintenance	-	3,300,000	3,300,000
Additional Administrative Transfer	(8,000,000)	-	(8,000,000)
Additional Funding for Visitor Centers	175,000	-	175,000
Highway Patrol Overtime	-	1,500,000	1,500,000
Prescription Drug Card Program	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Reserves and Transfers	\$ 61,263,605	\$ 17,800,000	\$ 79,063,605
Total Current Operations	\$1,181,410,000	\$ 49,620,000	\$1,231,030,000
Capital Improvements	<u>-</u>	<u>9,000,000</u>	<u>9,000,000</u>
Total Highway Fund Appropriation	<u>\$1,181,410,000</u>	<u>\$ 58,620,000</u>	<u>\$1,240,030,000</u>

**2000-01 Recommended Changes
Transportation – Continued**

C. Highway Trust Fund

The 1989 Session of the General Assembly, in Chapter 692 of the Session Laws, ratified House Bill 399 to establish the Highway Trust Fund. Revenue for the funding was provided from four primary sources: (1) one fourth of the Motor Fuels Tax collected by the Department of Revenue; (2) Sales and Use Taxes on the sales of motor vehicles in excess of \$170 million, which is to be used in the General Fund; (3) most of the Title Fees and some various Registration Fees collected by the Division of Motor Vehicles; and (4) interest earned from investment of the Trust Fund cash balance by the State Treasurer. Effective July 1, 1996, all revenue from Title Fees is deposited in the Highway Trust Fund. In addition to the revenues above, there has been a transfer from the Highway Fund each year as required by G.S. 136-183, but this transfer was deleted for the biennium.

The legislation also sets out the various roads identified as the Intrastate System and Urban Loops which are to be funded. Also identified are supplemental funds for Secondary Roads Construction and Aid to Municipalities. Formula funding for administration as well as for the mentioned purposes is likewise included in the legislation.

1. Revenue

Highway Trust Fund revenue is projected to total \$935 million in 1999-00 and \$995 million in 2000-01. This represent increases of 7.0% and 6.5% respectively. One-fourth of motor fuels tax collections is dedicated to the Highway Trust Fund. The revenue is projected to total \$262.9 million in 1999-00 and \$287.3 million in 2000-01. This represents increases of 3.2% and 9.3% respectively. The rapid growth in collections is a result of increases in motor fuel prices. Although prices are expected to peak in calendar 2000, as a result n the lag between price changes and changes in the wholesale price component of the motor fuel tax, most of the impact of recent price increases will be felt in fiscal 2000-01. Reflecting strong motor vehicle sales, motor vehicle use tax collections are projected to be 10.9% in 1999-00 and 7.5% in 2000-01. Other Trust Fund fees are anticipated to increase in the 3.0% range during this period. Investment income is project to decline by 5% in 1999-00 and 20% in 2000-01. The cash balance of the Trust Fund is anticipated to decline as revenue for the1997 bond sales is depleted.

**2000-01 Recommended Changes
Transportation – Continued**

Highway Trust Fund Revenue, 1999-01

	<u>1998-99 Actual</u>	<u>1999-00 Estimated</u>	<u>2000-01 Projected</u>
Anticipated Collections:			
Motor Fuel Taxes	\$ 254,740,680	\$ 262,926,000	\$ 287,258,000
Highway Use Tax	489,513,431	542,867,000	583,582,000
Title Fees:			
Certificates of Title	78,154,154	80,499,000	82,833,000
Miscellaneous Title Fees	12,098,359	12,504,000	12,891,000
Investments Income	<u>39,323,555</u>	<u>36,220,000</u>	<u>28,976,000</u>
Total Highway Trust Fund Revenue	\$ 873,830,179	\$ 935,016,000	\$ 995,540,000

Condition of the Highway Trust Fund, 2000-01

	<u>1999-00 Authorized</u>	<u>2000-01 Authorized</u>	<u>Net Changes Recommended</u>	<u>2000-01 Recommended</u>
Availability:				
Beginning Credit Balance	\$ -	\$ -		\$ -
Highway Trust Fund Revenue	<u>880,044,000</u>	<u>912,060,000</u>	<u>83,480,000</u>	<u>995,540,000</u>
Total Availability	\$880,044,000	\$912,060,000	\$ 83,480,000	\$995,540,000
Expenditures and Commitments:				
Authorized Budget	\$710,044,000	\$742,060,000	\$ 83,480,000	\$825,540,000
Transfer to General Fund (1)	<u>170,000,000</u>	<u>170,000,000</u>	-	<u>170,000,000</u>
Total Expenditures & Commitments	<u>\$880,044,000</u>	<u>\$912,060,000</u>	<u>\$ 83,480,000</u>	<u>\$995,540,000</u>
Ending Credit Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Transfer required by G.S. 105-187.9.

**2000-01 Recommended Changes
Transportation – Continued**

Supplemental Budget Recommendations

The statutory provisions for the Highway Trust Fund specify the amounts to be appropriated to the budgetary items. The following table, Changes to the 2000-01 Highway Trust Fund Budget, incorporates the changes in availability in accordance with the formula allocations of the Trust Fund to the appropriation items.

Changes to the 2000-01 Highway Trust Fund Budget

	<u>2000-01 Previously Authorized</u>	<u>Revision</u>	<u>2000-01 Revised Appropriation</u>
Department of Transportation:			
Maximum Allowance for Administration	\$ 30,128,464	\$ 4,119,422	\$ 34,247,886
Construction Allocation:			
Intrastate System	419,674,677	48,538,626	468,213,303
Urban Loop System	169,698,962	19,626,998	189,325,960
Secondary Roads	78,524,234	6,102,120	84,626,354
State Aid to Municipalities	44,033,663	5,092,834	49,126,497
Transfer to the General Fund (1)	<u>170,000,000</u>	<u>-</u>	<u>170,000,000</u>
Total Highway Trust Fund	<u>\$912,060,000</u>	<u>\$ 83,480,000</u>	<u>\$995,540,000</u>

(1) Transfer required by G.S. 105-187.9.

2000-01 Recommended Changes

V. Compensation and Benefits

Additional funds are recommended to provide compensation increases to teachers, school-based administrators, community college employees, university system employees, and all other state employees. Funds recommended total \$407 million for 2000-01.

The specific allocations for the distribution are reflected below:

Public Education Employees

	<u>2000-01</u>
Teachers and Instructional Support Personnel:	
• Six and one half percent (6.5%) funding in 2000-01 is recommended for the teacher's salary schedule.	\$ 224,031,710
Principals/Assistant Principals:	
• An appropriation with 8.4% funding in 2000-01 is recommended for the school-based administrator salary schedule, student improvement bonus, and safe school bonus.	20,852,538
• All Other Public School Employees (Superintendents, central office administrators, finance officers, clerical workers, teacher assistants, custodians, bus drivers, bus mechanics, and maintenance supervisors). An appropriation to provide a 3% average increase is recommended.	<u>27,932,244</u>
Total Public School Employees	<u>\$272,816,492 *</u>

Community College Employees

All Institutional Personnel:	
• An increase for all administrators, faculty, and staff salaries by an average of 3% on a permanent basis is recommended to be distributed in accordance with State Board of Community Colleges policies.	<u>\$ 17,279,112</u>
Total Community College Employees	<u>\$ 17,279,112 *</u>

*Funds are included in agency totals and are shown here for informational purposes.

**2000-01 Recommended Changes
Compensation and Benefits - Continued**

University System Employees

2000-01

- Employees Exempt from the State Personnel Act (EPA)- An increase in funding is recommended to allow teaching and nonteaching faculty an annual average salary increase of 3%. Funds will be distributed consistent with rules and regulations adopted by the University of North Carolina Board of Governors. Funding is recommended to advance teachers on the teacher salary schedule at the NC School of Science and Mathematics. \$ 31,664,837
 - Employees subject to the State Personnel Act (SPA) - Funds are recommended for a 3% compensation increase, to be distributed in accordance with G.S. 126-7, Compensation of State Employees. 13,450,191
- Total University Employees \$ 45,115,028 *

All Other State Employees

A 3% recurring compensation increase is recommended for employees subject to the State Personnel Act (SPA), to be distributed in accordance with G.S. 126-7, Compensation of State Employees. Judicial employees, General Assembly employees, and other employees exempt from the State Personnel Act (EPA) not defined in other areas of this document are also included in the recommended funding. \$ 58,813,553

Total All Other Employees \$ 58,813,553

Highway Fund Employees

Funding is recommended for Highway Fund employees for a 3% recurring compensation increase, to be distributed in accordance with G.S. 126-7, Compensation of State Employees. \$ 13,000,000

Total Highway Fund Employees \$ 13,000,000 *

*Funds are included in agency totals and are shown here for informational purposes.

**2000-01 Recommended Changes
General Fund – Continued**

VI. Other Appropriations

2000-01

1. **Charlotte National Guard Armory**
 Funds are recommended for the Department of Crime Control and Public Safety to provide the state’s share for a new 66,000 square foot armory in Charlotte. The 1996 General Assembly authorized the planning phase of this project and appropriated \$87,600 for this purpose. The total cost is \$8,356,872. The federal share is \$5,874,100 and the local government share is \$777,000. \$ 1,618,172

2. **Reserve for State Match - Water Resources Projects and Small Watershed Grants**
 It is recommended that an appropriation be made for the state share of federal civil works projects for navigation, flood control, water-based recreation, aquatic weed control, drainage, stream restoration, beach protection, and small watershed grants. The costs of these projects are shared by statutory formula with the federal government and/or local governments. Allocation of these funds will be made by the Department of Environment and Natural Resources in compliance with the state’s Water Resources Plan. \$ 13,356,000

3. **Statewide Reserve for Legislative Salary Increases**
 Funds remaining in the Reserve for 1999-00 Legislative Salary Increases are not needed and it is recommended that they be reduced from the 2000-01 General Fund Budget. \$ (11,000,000)

4. **Debt Service**
 The 1999 General Assembly appropriated funds in the amount of \$290,709,550 for FY 2000-01 to support the General Fund cost of currently outstanding bonds and bonds anticipated to be issued under current authorizations. As a result of cash flow projection reductions and increases in anticipated receipts, the date of bond issuance and the amount of bonds to be issued during FY 2001 has been revised. Therefore, the debt service appropriation has been reduced from \$290,709,550 to \$245,096,955, providing for a decrease of \$45,612,595.

Requirements	\$ (31,787,595)
Receipts	<u>13,825,000</u>
Appropriation	\$ (45,612,595) NR

2000-01 Recommended Changes

VII. Special Provisions

-----Teacher Longevity Pay

Section __. Funds are appropriated to change the longevity rates for personnel paid from the teacher salary schedule to the same longevity rates as state employees effective with the school year 2000-01. Annual longevity payments are to be at one and one-half percent (1.5%) of base salary for 10 to 14 years of state service, two and one-quarter percent (2.25%) of base salary for 15 to 19 years of state service, three and one-quarter percent (3.25%) of base salary for 20 to 24 years of state service, and four and one-half percent (4.5%) of base salary for 25 or more years of state service, commencing July 1, 2000, for all teachers whose salaries are supported from the State's General Fund. The longevity payment shall be paid in a lump sum once a year.

-----Hold Harmless FTE Losses

Section __. Funds are appropriated to the State Board of Community Colleges to hold harmless community colleges located in Hurricane Floyd federally declared disaster areas that experienced a decline in earned full-time equivalent student (FTE) enrollment to the 1999-00 budgeted FTE. This section is effective for the 2000-01 fiscal year.

-----Transfer of the Center for Prevention of School Violence to the Office of Juvenile Justice

Section __. The Center for Prevention of School Violence currently operating under the University of North Carolina System is hereby transferred to the Office of Juvenile Justice (OJJ). This transfer will be a Type I in accordance with G.S. 143 a-6 (a).

The Center as a component of the OJJ shall continue to consult with the University of North Carolina System and the Department of Public Instruction to enhance research opportunities and specialized study areas such as; teacher preparation, school resource officer development, suicide prevention and best practices.

-----Transfer of Positions and Support Cost for the Juvenile Information Network from the Department of Justice to the Office of Juvenile Justice.

Section __. The Department of Justice is hereby directed to transfer to the Office of Juvenile Justice the three positions and \$225,000 appropriated for support of the Juvenile Information System Network.

**2000-01 Recommended Changes
Special Provisions - Continued**

-----PETROLEUM OVERCHARGE FUNDS ALLOCATION

Sec. __. (a) The funds and interest thereon received from the case of the United States vs. Exxon are deposited in the Special Reserve for Oil Overcharge Funds. There is appropriated from the Special Reserve to the Department of Commerce the sum of \$1,000,000 for the 2000-01 fiscal year to be used for projects under the State Energy Efficiency Programs.

(b) There is appropriated from funds and interest thereon received from the United States Department of Energy's Stripper Well Litigation (MDL378) which remain in the Special Reserve for Oil Overcharge Funds to the Department of Commerce the sum of \$1,600,000 for the 2000-01 fiscal year to be allocated for the Residential Energy Conservation Assistance Program (RECAP).

(c) Any funds remaining in the Special Reserve for Oil Overcharge Funds after the allocations made pursuant to subsections (a) and (b) of this section may be expended only as authorized by the General Assembly. All interest or income accruing from all deposits or investments of cash balances shall be credited to the Special Reserve for Oil Overcharge Funds.

(d) The funds and interest thereon received from the Diamond Shamrock Settlement which remain in a reserve in the Office of State Budget and Management for the Department of Commerce to administer the petroleum overcharge funds pursuant to Section 112 of Chapter 830 of the 1987 Session Laws shall continue to be available to the Department of Commerce on an as-needed basis.

(e) The Department of Commerce shall submit comprehensive annual reports to the General Assembly by January 31, 2001, which detail the use of all Petroleum Overcharge Funds. Any state department or agency that has received petroleum overcharge funds shall provide all information requested by the Department of Commerce for the purpose of preparing these reports.

**2000-01 Recommended Changes
Special Provisions - Continued**

-----Carry-forward of Funds for Mental Health, Substance Abuse, and Developmental Disabilities Services in FY 2000-2001

- (a) Notwithstanding GS 143-18, of the General Fund current operations credit balance remaining in the Department of Health and Human Services, on June 30, 2001 the Department shall carry forward to the next fiscal year funds budgeted for any facility operated by the Division of Mental Health Mental Retardation and Substance Abuse Services and budgeted for community based mental health, substance abuse or developmental disability services. The funds may be used for the following purposes:
 - (1) To pay one-time expenditures that will not impose additional financial obligations on the state;
 - (2) To establish community-based services if sufficient recurring funds can be identified within the Department from funds currently budgeted for mental health, developmental disabilities, and substance abuse services to support ongoing costs of those community-based services.

- (b) The Director of the Budget, under the authority set forth in GS 143-25, shall establish the General Fund current operations credit balance remaining as of June 30,2001, in the Department of Health and Human Services.

-----Use of Lapsed Salaries

Notwithstanding GS 143-23, lapsed salaries within the Division Mental Health, Developmental Disabilities and Substance Abuse Services institutions may be used as start-up funds for programs that more appropriately serve institutionalized clients in community programs provided the ongoing operation of these programs can be continued with recurring funds currently budgeted for mental health, developmental disabilities, and substance abuse services within the Department.

The Department of Human Resources shall report to the Legislative Commission on Governmental Operations in November 2000 on initiatives undertaken by the Department as a consequence of this provision.

EXPENDITURE FORECAST 2000-05
General Fund Operating Budget for Recurring Resources and Requirements
(In Millions)

Description	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Availability	\$ 13,953.2	\$ 14,893.9	\$ 16,001.8	\$ 17,194.2	\$ 18,479.2
Less: Continuation Budget Authorized	13,558.1	13,883.5	14,216.7	14,557.9	14,907.3
Add: Continuation Budget Adjustments	179.5	179.5	179.5	179.5	179.5
Beginning Availability	\$ 574.6	\$ 1,189.9	\$ 1,964.6	\$ 2,815.8	\$ 3,751.4
Less: Expansion Recommendations and Forecast					
Public Education					
Teacher & Principal Salaries to National Average (3% Increase Beginning 2001-2002)	(281.1)	(400.4)	(523.2)	(649.8)	(780.1)
Department of Community Colleges					
Enrollment Increase	(22.5)	(39.7)	(58.8)	(77.1)	(97.4)
Board of Governors - University System					
Enrollment - regular	(21.1)	(53.6)	(85.7)	(130.3)	(171.1)
Model Teacher Consortium	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Aid to Private Colleges	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)
Need-Based Financial Aid	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)
Chinqua-Penn Plantation	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Department of Health and Human Services					
Smart Start	(66.7)	(121.4)	(113.7)	(129.3)	(144.3)
MH Services for Children	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
NC Health Choice-300% of Fed.Poverty Level	(1.4)	(2.8)	(4.1)	(5.1)	(5.6)
Facility Services-Poison Control Ctr.Increase	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Mental Health Critical Needs in Pharmacy	(1.5)	(1.7)	(1.9)	(2.1)	(2.4)
School Based MH SAS Services	(0.9)	(3.6)	(3.6)	(3.6)	(3.6)
TEACH	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Adult Care Home Inspectors	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Commerce					
Job Ready - Grants/Operating Support	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Rural Prosperity-Rural Development Plan	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Rural Prosperity-Agric.Advancement Consortium	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
DENR					
Storm Water Pollution	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Sedimentation Pollution	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Juvenile Justice					
JCPC Grants - Intermediate Sanctions	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)
MIS - Gov.Crime Comm. Grant Continuation	(1.0)	(2.0)	(2.0)	(2.0)	(2.0)
Camp Woodson East	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Revenue					
Additional Interstate Auditors	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Cultural Resources					
Arts Council Increase for Operating Support	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Statewide Reserves					
Compensation Increase 3%	(149.1)	(301.0)	(457.4)	(618.4)	(784.3)
Reserve for State Health Plan	0.0	(141.4)	(188.6)	(188.7)	(251.7)
Total Expansion Recommendations	(570.9)	(1,093.4)	(1,464.8)	(1,832.2)	(2,268.3)
Balance	\$ 3.8	\$ 96.5	\$ 499.8	\$ 983.6	\$ 1,483.1

Note: Includes projected enrollment requirements for 2000-01 through 2004-05 for Universities and Community Colleges.
Medicaid growth projected at 8% in Continuation Budget.
Includes a projected 3% increase for state employees 2000-01 and all employees 2001-02 through 2004-05.
Includes a reserve for State Health Plan increases yet to be determined.
Smart Start funding for 2000-01 is effective October 1, 2000.